

PUBLIC DISCLOSURE

June 18, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st Source Bank
RSSD# 991340

100 North, Michigan Avenue
South Bend, Indiana

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S RATING

1st Source Bank's Overall CRA Rating: Outstanding

Performance Test Rating Table

The following table indicates the performance level of 1st Source Bank with respect to the lending, investment, and service tests.

Performance Levels	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

** Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating*

Summary of Major Factors that Support the Rating

Lending Test:

- The geographic distribution of loans reflects excellent penetration throughout the combined assessment area;
- The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different levels and businesses of different sizes;
- The bank exhibits an excellent record of serving the credit needs of low-income individuals and areas and very small businesses;
- The bank is a leader in making community development loans; and
- The bank makes extensive use of innovative and flexible lending practices in serving

assessment area credit needs.

Investment Test:

- The bank makes significant use of innovative and complex investments to support community development initiatives; and
- The bank exhibits good responsiveness to credit and community development needs.

Service Test:

- The bank's record of opening and closing branches has not adversely affected its delivery systems, particularly to low- and moderate-income geographies and individuals;
- Services do not vary in a way that inconveniences the combined assessment area, particularly low- and moderate-income geographies and individuals; and
- The bank provides a relatively high level of community development services.

1st SOURCE BANK

DESCRIPTION OF INSTITUTION

1st Source Bank (1st Source) is a \$6.1 billion institution, as of March 31, 2018, headquartered in South Bend, Indiana. It is organized under a one bank holding company, 1st Source Corporation, which also has assets of \$6.1 billion, as of March 31, 2018. The holding company also owns domestic entity 1st Source Master Trust. The bank has ten subsidiaries.

1st Source is primarily a commercial lender, with such loans comprising 77.3 percent of its loan portfolio, by dollar volume, as of March 31, 2018. The portfolio is also comprised of residential real estate loans (11.9 percent), other loans (5.0 percent), agricultural loans (3.0 percent) and consumer loans (2.8 percent).

The bank provides a full range of products and services for business and consumers, including wealth management, investment accounts and trust services. Deposit products include checking accounts, money market accounts, savings accounts (including health savings accounts and Individual Retirement Accounts), and time deposits of various types ranging from shorter-term to longer-term certificates of deposit. Credit products include commercial, residential real estate mortgage, agricultural, and consumer loans. The bank offers both mortgages retained in-house and mortgages sold on the secondary market, and participates in a number of federally guaranteed loan programs with the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), U.S. Small Business Administration (SBA), and the U.S. Department of Agriculture (USDA), including its Farm Service Agency (FSA). Moreover, 1st Source's products include innovative and flexible loans, primarily to facilitate homeownership for non-traditional banking customers.

The bank offers a number of alternative retail delivery services, including mobile banking, internet banking and automated teller machines (ATMs). One such program is Side By Side Retail Banking, in which customers and bankers face the same screen to work through transactions

together. In addition, the bank employs numerous bilingual staff. The bank's website, www.1stsource.com, provides customers with the ability to open a variety of products online: personal loans, home equity lines of credit (HELOCs), home equity loans, home improvement loans, credit cards, as well as deposit and checking accounts. Further, the bank's online banking and bill pay features include traditional online and mobile banking applications as well as bank to bank transfer; Popmoney, allowing transfers between individuals or businesses; Mobile Wallet payment, allowing tap-and-pay functionality with participating merchants; and use of Card Valet, allowing customers to set controls over their debit card use. The bank also provides access to money management applications including e-statements and the Quicken Direct Connect tool.

1st Source markets its products and services to individuals and businesses located its ten assessment areas throughout Indiana and Michigan. These are South Bend-Mishawaka, IN-MI MSA #43780; Niles-Benton Harbor, MI MSA #35660; Michigan City-LaPorte, IN MSA #33140; partial Lafayette-West Lafayette, IN MSA #29200; partial Kalamazoo-Portage, MI MSA #28020; partial Gary, IN MD #23844; Fort Wayne, IN MSA #23060; Elkhart-Goshen, IN MSA #21140; Non-MSA IN-Eastern, consisting of Huntington County and Non-MSA IN-Western, consisting of Pulaski, Fulton, Starke, Kosciusko and Marshall Counties. The bank maintains 79 branches and 100 ATMs throughout its assessment areas, as detailed in the table below.

The distribution of the branch offices and ATMs is performed using current data and any changes in the median family income level of the geographies where the branches are located.

Branch and ATM Locations as of June 18, 2018 by Census Tract Income Level												
Assessment Area	Low Income		Moderate Income		Middle Income		Upper Income		Unknown Income		Total	
	Branch	ATM	Branch	ATM	Branch	ATM	Branch	ATM	Branch	ATM	Branch	ATM
South Bend-Mishawaka MSA	2	2	4	9	10	20	7	8	0	0	23	39
Kalamazoo-Portage MSA	0	0	1	1	1	1	0	0	0	0	2	2
Niles-Benton Harbor MSA	0	0	2	2	0	0	4	4	0	0	6	6
Elkhart-Goshen MSA	0	0	2	2	5	6	3	3	0	0	10	11
Ft. Wayne MSA	0	0	3	3	3	3	3	3	1	1	10	10
Gary MD	0	0	2	2	8	7	0	0	0	0	10	9
Lafayette-West Lafayette MSA	1	1	1	0	0	0	1	1	0	0	3	2
Michigan City- La Porte MSA	0	0	0	0	4	4	1	1	0	0	5	5
Non MSA IN Eastern	0	0	0	0	1	1	0	0	0	0	1	1
Non MSA IN Western	0	0	3	4	5	7	1	4	0	0	9	15
Total	3	3	18	23	37	49	20	24	1	1	79	100

The bank markets its products and services primarily through magazine, newspaper and radio advertisements; billboards; mailers and electronic media. Electronic media include the bank's website, emails and social media platforms.

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

At its previous evaluation conducted on February 22, 2016 the bank was rated satisfactory under the CRA.

SCOPE OF THE EXAMINATION

1st Source Bank's CRA performance was evaluated using Interagency Large Bank Examination procedures. The evaluation was performed in the context of information about the bank and its assessment areas, such as asset size, financial condition, market presence of other financial institutions, the combined record of aggregate lenders in each assessment area, and economic and demographic characteristics.

The determination of which of the bank's ten assessment areas received full-scope reviews versus limited-scope reviews was based on the relative economic conditions of the assessment areas, including the presence of any low- and moderate-income (LMI) geographies in the community, unemployment rates and the relative presence of single family housing units in the rental market. In addition, determinations of unmet credit needs and the need to rotate in depth analysis of assessment areas with deposit taking facilities, so that all of them are subject to a full-scope review over time, were considered as well. Therefore, performance in the following assessment areas received a full scope review: South Bend-Mishawaka, IN-MI MSA #43780; Niles-Benton Harbor, MI MSA #35660; Elkhart-Goshen, IN MSA #21140 and Non-MSA IN-Western. Performance in the South Bend-Mishawaka, IN-MI MSA #43780 received the weight in the analysis because it maintains the highest number of branches and ATMs, has the largest deposit market share and the largest volume of loan originations among all assessment areas.

Lending analysis was based on 2016 HMDA- and CRA- reportable loans, specifically mortgage originations and small loans to businesses. CRA-reportable small business loans received the weight of the analysis as commercial loans are the bank's primary loan products. The 2016 aggregated HMDA and CRA data, as well as the bank's own 2016 HMDA and CRA data, were used for comparison purposes. All activities were based on 2010 census data.

Performance within all assessment areas was evaluated using the following performance standards:

Level of Lending Activity: HMDA-reportable and CRA-reportable small business loans were reviewed to determine the responsiveness to credit needs in the assessment areas.

The review period was January 1, 2015 through December 31, 2016.

Lending in the Assessment Area: HMDA-reportable and CRA-reportable small business loans were reviewed to determine the percentage of loans originated within the combined assessment areas. The review period was January 1, 2015 through December 31, 2016.

Geographic Distribution of Lending in the Assessment Area: HMDA-reportable and CRA-reportable small business loans were analyzed to determine the extent to which the bank makes loans in census tracts of different income levels, including those designated as low- or moderate-income. The review period was January 1, 2016 through December 31, 2016.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes: HMDA-reportable and CRA-reportable small business loans were analyzed to determine the loan distribution among borrowers of different income and revenue levels. The review period was January 1, 2016 through December 31, 2016.

Community Development Lending: The number and dollar volume, innovativeness and complexity of community development loans were reviewed. The review period was February 23, 2016 through June 18, 2018.

Innovative or Flexible Lending Practices: The degree to which the bank used innovative and flexible lending practices to address the credit needs of low- and moderate-income individuals or geographies and small businesses between January 1, 2016 and December 31, 2016 was assessed.

Investments: Qualified investments, grants and donations made between February 23, 2016 through June 18, 2018 were reviewed to determine the bank's responsiveness to community development investment needs. In addition, outstanding qualified investments made prior to February 23, 2016 were considered. Qualified investments were also evaluated to determine the bank's use of innovative or complex investments.

Services: The distribution of the bank's branch offices, banking services, hours of operation, availability of loan and deposit products, and the extent and innovativeness of community development services were reviewed. The review focused on activity conducted between February 23, 2016 through June 18, 2018.

Nine CRA-related community representatives were contacted to provide a better understanding of the credit needs of each assessment area. Refer to individual assessment area summaries for the types of community contacts conducted for each.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

1st Source Bank's performance relative to the lending test is rated Outstanding based on the following major factors in the assessment areas that contributed to the rating: lending levels reflect excellent responsiveness to assessment area credit needs; the bank makes a high percentage of its loans in the combined assessment area; the geographic distribution of loans reflects excellent penetration throughout the combined assessment area; the distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes; the bank exhibits an excellent record of serving the credit needs of low-income individuals and areas and very small businesses; it is a leader in making community development loans and makes extensive use of innovative and flexible lending practices in serving combined assessment area credit needs. Please see individual assessment area summaries and state summaries for details.

Level of Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. The bank's HMDA- and CRA-reportable loans increased from 9,033 during the previous evaluation to 9,419 during the current evaluation, noteworthy despite the current review period of 28 months versus the previous review period of 25 months. Dollars loaned also increased, from \$1.1 billion to \$1.2 billion between review periods. While loan growth does not match the bank's 16.9 percent increase in assets between review periods, the number and dollar amount of loans made reflect a continued commitment to serve the combined assessment area's credit needs. Such commitment is also demonstrated through an increase in community development lending, which is of significant importance to major assessment area needs of affordable housing and economic development. The bank's strategy to produce a more substantial increase in lending in that arena, versus HMDA- and CRA-reportable lending addressed here, demonstrates responsiveness to community needs.

The following table summarizes the bank's lending activity from January 1, 2015 through December 31, 2016.

Summary of Lending Activity 2015-2016				
Loan Type	#	%	\$ (000s)	%
Home Improvement	954	10.1	31,540	2.6
Home Purchase	1,238	13.1	200,049	16.7
Multi-Family Housing	7	0.0	21,895	1.8
Refinancing	1,033	11.0	187,583	15.7
Total HMDA Loans	3,232	34.3	441,067	36.9
Total Small Business Loans	5,627	59.7	700,2011	58.6
Total Farm Loans	560	5.9	53,633	4.5
Total Loans	9,419	100.0	1,194,911	100.0

Note: Percentages may not add to 100.0 percent due to rounding.

Note: Affiliate loans include only loans originated or purchased within the bank's assessment areas.

Assessment Area Concentration

A high percentage of loans are made in the bank's combined assessment area. 1st Source made 73.7 percent of its HMDA- and CRA-reportable loans, by number, and 76.6 percent of such loans by dollar, in its combined assessment area during the review period. This is comparable to the bank's performance at the previous evaluation, during which time it made 74.6 percent of its HMDA- and CRA-reportable loans, by number, and 80.0 percent of such loans by dollar, in the combined assessment area. The table below presents lending inside and outside the assessment area during 2015 and 2016.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase Loans- Conv.	938	89.9	154,784	87.2	105	10.1	22,639	12.8
Home Purchase- FHA	163	96.4	18,169	95.5	6	3.6	851	4.5
Home Purchase- VA	25	96.2	3,505	97.2	1	3.8	101	2.8
Refinanced Loans	968	93.7	166,288	88.6	65	6.3	21,295	11.7
Home Improvement Loans	911	95.5	28,394	90.0	43	4.5	3,146	10.0
Multi-Family Loans	6	85.7	6,395	29.2	1	14.3	15,500	70.8
Total HMDA-Reportable Loans	3,011	93.2	377,535	85.6	221	6.8	63,532	14.4
Small Business Loans	3,415	60.7	488,437	69.8	2,212	39.3	211,774	30.2
Small Farm Loans	520	92.9	48,743	90.9	40	7.1	4,890	9.1
Total Loans	6,946	73.7	914,715	76.6	2,473	26.3	280,196	23.4

Note: Percentages may not total to 100.0 percent due to rounding.

Geographic and Borrower Distribution

The geographic distribution of loans reflects excellent penetration throughout the combined assessment area contributing to the rating. The bank made a strong percentage of loans in its low- and moderate-income census tracts, consistently outperforming the aggregate of lenders and often exceeding the demographic of owner occupied housing in these census tracts. Moreover, the bank's dispersion of lending throughout the combined assessment area was outstanding, with loans in every census tract delineated in three of four full scope assessment areas, including South Bend-Mishawaka, IN-MI MSA #43780.

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes in the combined assessment area contributing to the rating. The bank consistently outperformed the aggregate of lenders and the demographic of LMI families across the combined assessment area.

1st Source makes extensive use of innovative and flexible lending practices in serving assessment area credit needs. The bank maintains a host of flexible loan products, available across all branches, through which it made a high volume of loans, 1,126 loans worth \$32.3 million in 2016.

SBA Loans: 1st Source is a preferred lender with SBA, enabling it to process applications for the 7(a), 504, Express and Small Loan Advantage programs. The bank's participation in this program allows borrowers who may not otherwise qualify for small business credit to obtain it through the bank. It originates more SBA loans in Indiana than any other community bank. Over 60.0 percent of the review period's SBA lending occurred as a result of the bank's Retail Business Banking Micro Lending Program, established to ensure that the smallest businesses received the credit they needed. Such small dollar loans are often unavailable at other institutions given their administrative costs.

FSA/USDA Loans: The bank offers these federally guaranteed loans to farmers and agricultural borrowers who may not otherwise qualify for credit.

Community Redevelopment Loan Program: This program provides credit opportunity for first time homebuyers who may not be able to demonstrate creditworthiness through traditional means, such as credit reports. The bank is not only willing to accept non-traditional proof of creditworthiness, it also provides down payment assistance through this program.

Community Homebuyers Corporation (CHC): 1st Source closes Community Development Block Grant loans on behalf of CHC. These provide down payment and closing cost assistance to first time homebuyers in the bank's South Bend-Mishawaka, IN-MI assessment area.

Habitat for Humanity (Habitat) Mortgage Purchase Program: 1st Source purchases mortgage loans from Habitat's affiliates, providing the funds needed to build additional affordable homes across the bank's assessment areas.

Habitat for Humanity Mortgage Origination Program: The bank originates and services all of the loans Habitat for Humanity makes to support affordable housing needs. Habitat is less experienced and has fewer resources dedicated to mortgage services. This program allows Habitat to spend its time and resources on the tasks for which is best equipped, facilitating additional home building for families in need.

Credit Starter Program: The bank provides small dollar loans, secured by certificates of deposit, to banking customers wishing to build traditional credit. This program is of particular responsiveness to non-traditional banking customers who need assistance in entering financial markets.

Pathfinder Services Auto Loan Program: In this partnership, the bank works with Indiana nonprofit Pathfinder Services to guarantee loans of up to \$5,000 to purchase used vehicles.

Federal Home Loan Bank (FHLB) of Indianapolis: 1st Source and FHLB partner on five programs to facilitate homeownership and home repair in the combined assessment area.

- Affordable Housing Program: Provides funding for borrowers purchasing, rehabilitating or constructing affordable rental housing;
- Community Investment Program: Provides the bank with borrowing opportunity to fund local economic development endeavors;
- Homeownership Opportunities Program: Provides down payment and closing cost assistance to LMI first time homebuyers;
- Neighborhood Impact Program: Provides grants of up to \$7500 for LMI homeowners to make repairs and rehabilitate their homes;
- Accessibility Modifications Program: Provides grants of up to \$15,000 for LMI homeowners, who are also seniors or disabled, for construction of accessibility features to accommodate homeowners' physical challenges.

Healthcare Financing Program: This product is to individuals facing challenges with medical expenses. Loans cover the costs of co-pays and other out-of-pocket medical fees.

Loan Reclamation Program: The bank offers loan restructuring program discussions for all customers whose loan payments are 15 or more days in arrears.

The table below presents the bank’s innovative and flexible lending in 2016.

Innovative and Flexible Lending Programs 2016		
Program	Number of Loans	\$ of Loans (000's)
Small Business Administration Programs	177	19,076
Farm Service Agency/USDA Guaranteed Farm Loans	3	570
Community Redevelopment Loan Program	24	1,842
Community Homebuyers Corporation	13	787
Habitat for Humanity Mortgage Purchase Program	22	1,331
Habitat for Humanity Mortgage Origination Program	9	993
Credit Builder Program	92	106
Pathfinder Services Auto Loan Program	12	63
Federal Home Loan Bank of Indianapolis Programs	48	2,165
Healthcare Financing Program	637	2,836
Loan Reclamation Program	89	2,518
Totals	1,126	32,817

The bank’s community development lending supports innovative and flexible community programs as well. One example of such is an alternative high school which provides not only classic education but life coaching, onsite childcare with a Head Start curriculum, a food pantry, interviewing and job readiness skills and other supportive services to facilitate success. Graduates receive high school diplomas, allowing better access to more lucrative work to support themselves and their families.

Community Development Lending

1st Source Bank is a leader in making community development loans. During the review period, the bank loaned a total of \$341.3 million in 198 loans across its combined assessment area, a substantial increase from its performance at the previous evaluation during which time it made 132 community development loans worth \$141.1 million. The bank’s loans were highly responsive to assessment area needs, with a large portion supporting new and existing permanent employment for LMI employees.

INVESTMENT TEST

1st Source Bank’s performance relative to the Investment Test is rated High Satisfactory based on the following major factors in the assessment areas that contributed to the rating: the bank provides an excellent level of investments and grants, particularly those not routinely provided by private investors, often in a leadership position; the bank makes significant use of innovative and complex investments to support community development initiatives and it exhibits good responsiveness to credit and community development needs.

Across all assessment areas the bank made new investments worth \$32.5 million, and maintained existing investments worth \$54.2 million for a total of \$86.7 million outstanding during the review period. The bank also made unfunded commitments of \$3.4 million. Of total investments, \$1.4 million in new investments and \$93,000 in unfunded commitments were made outside of the combined assessment area. This demonstrates the bank's emphasis on its assessment area but willingness to serve outside areas as well.

The bank's performance was not as strong relative to donations: during the review period it donated a total of \$1.4 million, including \$28,000 outside of the combined assessment area. During the previous evaluation the bank made a comparable \$1.4 million in donations.

Both investments and donations show good responsiveness: the bank made Low Income Housing Tax Credit investments, of considerable complexity, requiring advanced knowledge and time commitment in order to properly manage the investments. Of the \$86.7 million of investments held, \$11.7 million were deemed innovative or complex. However, \$71.3 million were held in mortgage backed securities, deemed less responsive than other investments. Further, the limited value of donations, given the size and needs of the combined assessment area, also mitigated a higher responsiveness rating.

SERVICE TEST

1st Source Bank's performance relative to the Service Test is rated High Satisfactory based on the following major factors in the assessment areas that contributed to the rating: delivery systems are readily accessible to the bank's geographies and individuals of different income levels in the combined assessment area; the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals; services do not vary in a way that inconveniences the assessment area, particularly LMI geographies and individuals, and the bank provides a relatively high level of community development services.

Retail Services

Delivery systems and services are readily accessible through the bank's online and mobile presence and via its branching network, including through its Side by Side Retail Banking program. 1st Source's branches are well distributed throughout its combined assessment area, offering generally easy geographic accessibility to all customers who wish to conduct banking business in person. While branches are open during reasonable business hours, and often extended hours, in South Bend-Mishawaka, IN-MI MSA #43780, the assessment area in which the bank has its largest presence, branch hours and availability of drive thru service vary by census tract income level. Branches located in LMI census tracts do not maintain the same extended evening, weekend or drive thru hours as do branches in middle- and upper-income census tracts, creating a challenge to accessibility for those who often have less flexible working schedules.

Community Development Services

The bank provides a relatively high level of community development services to its combined assessment area. During the review period it provided 8,492 hours of financial literacy education, expertise through board membership and nonprofit fundraising. These services are responsive to community needs: one local elementary school's yearly financial services education day is fully staffed by volunteers from 1st Source. The current level of service appears to represent an increase in activity from the previous evaluation during which time the bank provided 8,146 hours of service to these initiatives. However, considering the differing lengths in evaluation periods (25 months during the previous review and 28 months during the current review), community development services actually represents a slight decrease in activity.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

SOUTH BEND-MISHAWAKA, IN-MI MSA #43780

CRA RATING FOR South Bend-Mishawaka, IN-MI MSA#43780:

The Lending Test is rated: Outstanding

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

The South Bend-Mishawaka, IN-MI MSA #43780 (South Bend-Mishawaka MSA) assessment area is rated Outstanding based on the following: Lending Test: Outstanding; Investment Test: High Satisfactory; Service Test: High Satisfactory.

SCOPE OF EXAMINATION

1st Source's operations in the South Bend-Mishawaka MSA received a full-scope review. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE SOUTH BEND-MISHAWAKA MSA

1st Source Bank is headquartered in the South Bend-Mishawaka MSA and delineates it in its entirety as its assessment area. This consists of 86 census tracts, including eight low-income census tracts, 27 moderate-income census tracts, 31 middle-income census tracts and 20 upper-income census tracts. The assessment area remains unchanged since the previous evaluation.

1st Source maintains its main office and 22 branches in the assessment area, as well as 39 ATMs, 24 of which are full-service and 15 of which are cash-only. The main office and one branch are located in low-income census tracts, as are two full-service ATMs; four branches exist in moderate-income census tracts, as do nine ATMs, six of which are full-service and three of which are cash-only. The bank maintains ten branches in middle-income census tracts, each of which has a full-service ATM. It also operates 11 stand-alone ATMs, eight of which are cash-only and two of which are full-service. The remainder of branches and ATMs are located in upper-income census tracts. The bank closed one branch in a moderate-income census tract and two cash-only ATMs in middle-income census tracts in the assessment area during the review period. It opened no branches or ATMs in South Bend-Mishawaka.

The Federal Deposit Insurance Corporation (FDIC) market share report, as of June 30, 2017, ranks 1st Source Bank first among 17 institutions serving the market, with 41.2 percent of the market share. This is substantially higher than the number two market holder, KeyBank, N.A., which holds 13.6 percent of the market. All remaining 15 institutions maintain less than ten percent of the market share. This data demonstrates the bank's elevated importance to the assessment area's deposit operations.

1st Source is equally important to the assessment area's lending environment. The 2016 HMDA Peer Market data indicates that the bank ranks third of 303 HMDA reporters in the MSA, having made 581 loans that year. Such performance is comparable to the top lender Ruoff Mortgage Company, and number two lender Wells Fargo Bank, N.A., which made 731 and 728 loans, respectively, in 2016, particularly given that only the top three lenders made over 500 HMDA-reportable loans in the MSA that year. 1st Source also ranks third of 70 CRA reporters serving the assessment area in 2016, having made 665 loans there that year. As with respect to HMDA-reportable loans, its CRA-reportable performance is comparable to top lender Citibank, N.A., and number two lender American Express Bank F.S.B., which made 914 and 674 CRA-reportable loans in the MSA in 2016. Again, only the top three lenders made over 500 such loans that year.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 South Bend-Mishawaka, IN-MI MSA 43780								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	8	9.3	2,260	2.8	987	43.7	16,344	20.5
Moderate-income	27	31.4	20,754	26.0	3,828	18.4	14,704	18.4
Middle-income	31	36.0	33,062	41.5	3,071	9.3	16,623	20.9
Upper-income	20	23.3	23,623	29.6	653	2.8	32,028	40.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	86	100.0	79,699	100.0	8,539	10.7	79,699	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	6,373	1,597	1.8	25.1	2,609	40.9	2,167	34.0
Moderate-income	41,465	19,707	22.2	47.5	15,006	36.2	6,752	16.3
Middle-income	58,249	38,543	43.5	66.2	11,629	20.0	8,077	13.9
Upper-income	33,875	28,750	32.5	84.9	2,900	8.6	2,225	6.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	139,962	88,597	100.0	63.3	32,144	23.0	19,221	13.7
	Total Businesses Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	802	7.0	684	6.7	103	9.1	15	13.6
Moderate-income	2,754	24.1	2,400	23.5	338	30.0	16	14.5
Middle-income	4,560	39.9	4,084	40.1	429	38.1	47	42.7
Upper-income	3,317	29.0	3,029	29.7	256	22.7	32	29.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	11,433	100.0	10,197	100.0	1,126	100.0	110	100.0
	Percentage of Total Businesses:			89.2		9.8		1.0
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2	0.5	2	0.5	0	0.0	0	0.0
Moderate-income	51	12.3	49	12.1	2	18.2	0	0.0
Middle-income	256	61.5	249	61.5	7	63.6	0	0.0
Upper-income	107	25.7	105	25.9	2	18.2	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	416	100.0	405	100.0	11	100.0	0	0.0
	Percentage of Total Farms:			97.4		2.6		0.0
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Population Characteristics

Population change was largely consistent and stable across the MSA, the counties which comprise it and the states to which the counties belong between 2010 and 2011-2015. Indiana had the highest rate of growth, 1.3 percent, while Cass County had the lowest rate of growth, loss of 0.7 percent. The South Bend-Mishawaka MSA did not gain or lose significant population during the period.

The table below presents population change in the MSA, the counties which comprise it and the states to which the counties belong in 2010 and 2011-2015.

Population Change 2010 and 2011-2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Cass County, MI	52,293	51,952	-0.7
St. Joseph County, IN	266,931	267,246	0.1
South Bend-Mishawaka, IN-MI	319,224	319,198	0.0
State of Indiana	6,483,802	6,568,645	1.3
State of Michigan	9,883,940	9,900,571	0.2
<i>Source: 2010 – U.S. Census Bureau: Decennial Census 2011-2015 – U.S. Census Bureau: Decennial Census: American Community Survey</i>			

Income Characteristics

Median family income grew minimally across the MSA, its counties and their states between 2006-2010 and 2011-2015. Income growth was lowest in both St. Joseph County and the South Bend-Mishawaka MSA at 1.1 percent between these periods. Growth was highest in Indiana, at a rate of 3.7 percent between these periods, more than three times the rate of the assessment area’s growth. However, median family income in Indiana (\$61,119) is only slightly higher than median family income in the MSA (\$57,692). According to community representatives, there are several factors explaining this data. South Bend-Mishawaka is a community largely representative of Indiana in terms of economy: both are based historically on goods production and manufacturing, though Indiana has a much higher location quotient (LQ) relative to manufacturing, 2.2, than does South Bend-Mishawaka, at 1.5. Moreover, the assessment area maintains strong LQs relative to health care and education while the state does not. In recent years, however, more upper- and middle-income individuals employed in these industries have begun slowly moving from the assessment area to more affluent nearby areas, such as Elkhart County, even as they maintain their employment in St. Joseph County. Lucrative manufacturing work elsewhere in the state, an exodus of higher paid professionals from the assessment area, along with the MSA’s elevated poverty level of 10.7, percent, explain the slow, but noteworthy, broadening of the traditionally limited gap in MFI between the assessment area and Indiana.

The table below presents median family change in the MSA, the counties which comprise it and the states to which the counties belong in 2006-2010 and 2011-2015.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Cass County, MI	54,813	56,206	2.5
St. Joseph County, IN	57,710	58,116	1.1
South Bend-Mishawaka, IN-MI	57,040	57,692	1.1
State of Indiana	58,944	61,119	3.7
State of Michigan	60,341	62,247	3.2
<i>Source: 2006-2010— U.S. Census Bureau: American Community Survey 2011-2015— U.S. Census Bureau: American Community Survey</i>			

Personal bankruptcy rates fell across the assessment area, its counties and their states between 2013 and 2016, the most recent year for which such data is available. Bankruptcy rates were lowest and fell the least in Cass County during that period, from 2.5 per 1,000 population to 2.3 per 1,000 population. Bankruptcy rates were elevated in St. Joseph County, falling from 3.7 per 1,000 population in 2013 to 2.8 per 1,000 population in 2016. Overall, bankruptcy rates were lower in the assessment area than in either Michigan or Indiana, but not substantially so. By 2016, Michigan’s bankruptcy rate was 3.0 per 1,000 population and Indiana’s bankruptcy rate was 3.6 per 1,000 population.

Housing Characteristics

The rate of owner occupied housing in low-income census tracts is 25.1 percent, while in moderate-income census tracts it is 47.5 percent. This data demonstrates the importance of the rental market, and, consequently, affordable rentals to the assessment area’s LMI geographies. It also demonstrates a reasonable ability to make HMDA-reportable loans in moderate-income census tracts.

Median housing value (MHV) decreased by 2.6 percent in the South Bend-Mishawaka MSA between 2006-2010 and 2011-2015, dropping from \$119,169 to \$116,103. According to community representatives, the loss in value is attributable to aging housing stock and abandoned structures, largely located in LMI geographies, as well as limited construction of new homes in middle- and upper-income census tracts given reduced demand for such. Despite the assessment area’s MHV losses, its performance is much more aligned with Indiana’s than Michigan’s. During the period 2006-2010 and 2011-2015, Indiana’s MHV rose by 1.0 percent, from \$123,000 to \$124,200, while Michigan’s MHV decreased by 15.1 percent, from \$144,200 to \$122,400. Michigan’s economy suffered significantly during the economic downturn, providing some context for the data presented here.

According to LPS Applied Analytics, foreclosure rates throughout the assessment area and its related geographical areas were low during the review period. However, rates in both St. Joseph County and Indiana were higher than those in Cass County and Michigan during 2015 and 2016. In the former geographical areas, the foreclosure rates were 1.8 percent of housing stock and 1.6 percent of housing stock, respectively. In the latter geographical areas, the foreclosure rates were 0.6 percent of housing stock and 0.5 percent of housing stock, respectively. St. Joseph County experienced the height of its foreclosures in March 2013 while Cass County experienced the height of foreclosures in December 2010. Moreover, at its peak, St. Joseph County’s foreclosures comprised 5.0 percent of housing stock while Cass County’s foreclosures only comprised 2.9 percent of housing stock. These differences account for the differences noted in the counties during 2015 and 2016.

Demographic data indicate the importance of rental housing to the South Bend-Mishawaka MSA, particularly for low- and moderate-income families. While median housing values fell, median gross rent increased across the assessment area, its counties and the states in which it is located. Rents rose a comparable 10.1 percent, 9.1 percent and 8.3 percent across Cass County, Indiana and Michigan, respectively, between 2006-2010 and 2011-2015. However, they rose somewhat less in the assessment area and St. Joseph County during the same period, by 5.8 percent and 5.3 percent, respectively. These latter geographical regions are the same regions that experienced lower rates of MHV loss, demonstrating a more stable housing market overall than across Cass County, Michigan and Indiana. Consequently, while rentals play a large role in the assessment area’s housing market, the market demonstrates a large degree of stability.

The table below presents housing cost changes in the MSA, the counties which comprise it and the states to which the counties belong in 2006-2010 and 2011-2015.

Trends in Housing Costs 2000 and 2010				
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)
Cass County, MI	133,700	122,800	634	698
St. Joseph County, IN	116,300	114,800	683	719
South Bend-Mishawaka, IN-MI	119,169	116,103	678	717
State of Indiana	123,000	124,200	683	745
State of Michigan	144,200	122,400	723	783

*Source: 2006-2010— U.S. Census Bureau: American Community Survey
2011-2015— U.S. Census Bureau: American Community Survey*

Employment Characteristics

Unemployment rates were largely consistent across the MSA, its counties and the states in which it exists between 2013 and 2016, the most recent year for which such data is available. In 2013, the assessment area had among the highest rates of unemployment among the related geographical areas at 8.6 percent. But by 2016, with the economy well into recovery, unemployment rates had dropped to 4.5 percent, within one percentage point of the related counties and Indiana. Michigan’s unemployment rate was higher at 4.9 percent. While unemployment rates have largely stabilized, the Federal Reserve Bank of Chicago’s Community Development and Policy Studies group indicates challenges to employment for some local residents, particularly immigrants and people of color.

The table below presents the unemployment rate in the MSA, the counties which comprise it and the states to which the counties belong between 2013 and 2016.

Unemployment Rates (%) 2013 to 2016				
Region	2013	2014	2015	2016
Cass County, MI	8.0	6.6	5.0	4.6
St. Joseph County, IN	8.8	6.7	5.0	4.5
South Bend-Mishawaka, IN-MI	8.6	6.7	5.0	4.5
State of Indiana	7.5	6.0	4.8	4.4
State of Michigan	8.8	7.3	5.4	4.9

Source: U.S. Bureau of Labor Statistics

Major Employers

The assessment area is home to several large businesses employing a large portion of the area population. The University of Notre Dame is the largest employer, with 6,000 employees. The health care industry is also widely represented in the South Bend-Mishawaka MSA. Hospitals, a clinic, a medical laboratory and pharmaceutical company employ nearly 6,000 individuals as well. Other area large employers represent diverse fields such as gas stations, pest control, insurance and government contractors. As confirmed by community representatives and employment data referenced above, the assessment area provides a wide range of employment opportunity for many local residents, including unskilled laborers.

The table below presents the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
University of Notre Dame	6,000	Schools-Universities & Colleges
Go-Gas Propane	3,908	Gas- Propane- Refilling Stations
Memorial Hospital- South Bend	2,227	Hospitals
St. Joseph Regional Medical Center	1,339	Hospitals
Bayer Healthcare	1,000	Chemicals- Retail
Honeywell Aerospace	999	Guided Missile/Space Vehicle Prop Mfctr
AM General LLC	800	Federal Government Contractors
South Bend Medical Foundation	700	Laboratories-Medical
Liberty Mutual	682	Insurance
South Bend Clinic	600	Clinics
Berrybrook Farms Inc.	600	Pest Control
<i>Source: InfoUSA</i>		

Community Representatives

Two community representatives were contacted to provide information about local housing, employment and other economic conditions. One affordable housing representative and one economic development representative represented the assessment area. Representatives listed affordable housing, neighborhood blight improvement, small business lending and micro lending as the assessment area’s greatest needs. Contacts indicated that there is a lack of new residential real estate construction in the MSA, including both single family homes and apartments, along with an aging, ill maintained existing housing stock. They also mentioned crime, dilapidated housing and poorly performing schools in parts of the city of South Bend.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SOUTH BEND-MISHAWAKA MSA

LENDING TEST

1st Source Bank’s performance relative to the Lending Test in the South Bend-Mishawaka MSA is rated Outstanding based on the following major factors: the geographic distribution of loans reflects excellent penetration throughout the assessment area; the distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and business of different sizes; the bank exhibits an excellent record of serving the credit needs of low-income individuals and areas and very small businesses. 1st Source is a leader in making community development loans and the bank makes extensive use of innovative and flexible lending practices in serving assessment area credit needs.

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration throughout the assessment area. In 2016, 1st Source made 1.4 percent of its HMDA-reportable loans, by number, in low-income census tracts, twice as many as did the aggregate of lenders, which made 0.7 percent of such loans, by number, in these census tracts. The bank also approached the demographic of owner-occupied housing in low-income census tracts of 1.8 percent, and it matched this demographic with respect to home purchases. This is particularly challenging to accomplish in low-income census tracts where only 25.1 percent of homes are owner-occupied and a reduced number of residents are creditworthy or otherwise in a position to borrow, as demonstrated by a 43.7 percent poverty rate there. Moreover, the bank's performance is particularly responsive in these communities where, as community representatives indicate, the presence of affordable housing is an integral part of repairing damaged neighborhoods.

The bank's performance was equally strong in moderate-income census tracts in 2016. 1st Source again outperformed the aggregate of lenders by making 18.4 percent of its HMDA-reportable loans, by number, in moderate-income census tracts, compared to the aggregate's 16.8 percent of such loans, by number in these census tracts. 1st Source's lending approached the demographic of owner-occupied housing in moderate-income census tracts which was 22.2 percent.

The bank's outstanding performance continued relative to small business lending where, in 2016, it outperformed the aggregate of lenders in both low- and moderate-income census tracts, exceeding the demographic in the latter. In low-income census tracts 1st Source made 6.1 percent of small business loans, by number, compared to the aggregate of lenders' 5.1 percent, by number and the demographic of 7.0 percent. In moderate-income census tracts the bank made 24.6 of its small business loans, by number, outperforming the aggregate of lenders, which made 20.9 percent of such loans there, by number. Moderate-income census tracts contain 24.1 percent of area businesses. As with respect to HMDA-reportable loans, funding small businesses is particularly responsive to the MSA's blighted communities in need of revitalization.

1st Source Bank excelled in its dispersion of loans throughout the assessment area, making loans in 100.0 percent of the MSA's census tracts. Such performance demonstrates excellent responsiveness to the entire assessment area's home mortgage and small business needs, regardless of location, community, income-level or ease of lending.

HMDA Reportable Lending

Home Purchase Loans

The bank made 1.8 percent of its home purchase loans, by number, in low-income census tracts. It outperformed the aggregate of lenders which made 0.7 percent of such loans, by number, in these census tracts. It also matched the 1.8 percent demographic of owner-occupied units in low-income census tracts.

The bank made 20.2 percent of its home purchase loans, by number, in moderate-income census tracts. It outperformed the aggregate of lenders which made 18.5 percent of such loans, by number, in these census tracts. Its performance was also comparable to the 22.2 percent demographic of owner-occupied units in moderate-income census tracts.

The bank made 40.8 percent of its home purchase loans, by number, in middle-income census tracts. This was less than the aggregate of lenders which made 42.9 percent of such loans, by number, in these census tracts. It also made a lower percentage of these loans than the demographic of owner-occupied units in middle-income census tracts of 43.5 percent.

The bank made 37.2 percent of its home purchase loans, by number, in upper-income census tracts. This was comparable to the aggregate of lenders which made 37.9 percent of such loans, by number, in these census tracts. It also made a higher percentage of these loans than the demographic of owner-occupied units in upper-income census tracts of 32.5 percent.

Refinance Loans

The bank made 0.6 percent of its refinance loans, by number, in low-income census tracts. It underperformed the aggregate of lenders which made 0.9 percent of such loans, by number, in these census tracts. It also made a lower percentage of these loans than the 1.8 percent demographic of owner-occupied units in low-income census tracts.

The bank made 13.6 percent of its refinance loans, by number, in moderate-income census tracts. Its performance was comparable to the aggregate of lenders which made 13.7 percent of such loans, by number, in these census tracts. It also made a lower percentage of these loans than the 22.2 percent demographic of owner-occupied units in moderate-income census tracts.

The bank made 34.7 percent of its refinance loans, by number, in middle-income census tracts. This was less than the aggregate of lenders which made 45.1 percent of such loans, by number, in these census tracts. It also made a lower percentage of these loans than the demographic of owner-occupied units in middle-income census tracts of 43.5 percent.

The bank made 51.1 percent of its refinance loans, by number, in upper-income census tracts. This was greater than the aggregate of lenders which made 40.3 percent of such loans, by number, in these census tracts. It also made a higher percentage of these loans than the demographic of owner-occupied units in upper-income census tracts of 32.5 percent.

Home Improvement Loans

The bank made 1.7 percent of its home improvement loans, by number, in low-income census tracts. It outperformed the aggregate of lenders which made 0.5 percent of such loans, by number, in these census tracts. It also made a comparable percentage of these loans than the 1.8 percent demographic of owner-occupied units in low-income census tracts.

The bank made 20.4 percent of its home improvement loans, by number, in moderate-income census tracts. It outperformed the aggregate of lenders which made 17.7 percent of such loans, by number, in these census tracts. It also made a comparable percentage of these loans than the 22.2 percent demographic of owner-occupied units in moderate-income census tracts.

The bank made 43.1 percent of its home improvement loans, by number, in middle-income census tracts. This was less than the aggregate of lenders which made 44.7 percent of such loans, by number, in these census tracts. It also made a comparable percentage of these loans to the demographic of owner-occupied units in middle-income census tracts of 43.5 percent.

The bank made 34.8 percent of its home improvement loans, by number, in upper-income census tracts. This was less than the aggregate of lenders which made 37.1 percent of such loans, by number, in these census tracts. It also made a higher percentage of these loans than the demographic of owner-occupied units in upper-income census tracts of 32.5 percent.

The table below presents the geographic distribution of HMDA-reportable loans in the assessment area in 2016.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 South Bend-Mishawaka, IN-MI MSA 43780								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2016			Dollar			
		Count		Agg	Bank			Agg
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	4	1.8	0.7	340	0.9	0.4	1.8
	Moderate	45	20.2	18.5	5,059	13.9	13.5	22.2
	Middle	91	40.8	42.9	13,179	36.1	39.5	43.5
	Upper	83	37.2	37.9	17,880	49.0	46.6	32.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		223	100.0	100.0	36,458	100.0	100.0
Refinance	Low	1	0.6	0.9	39	0.1	0.4	1.8
	Moderate	24	13.6	13.7	2,575	8.2	10.3	22.2
	Middle	61	34.7	45.1	10,736	34.0	43.2	43.5
	Upper	90	51.1	40.3	18,216	57.7	46.1	32.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		176	100.0	100.0	31,566	100.0	100.0
Home Improvement	Low	3	1.7	0.5	10	0.1	0.0	1.8
	Moderate	37	20.4	17.7	484	7.3	9.9	22.2
	Middle	78	43.1	44.7	2,255	33.8	42.2	43.5
	Upper	63	34.8	37.1	3,925	58.8	47.9	32.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		181	100.0	100.0	6,674	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 7.8
	Moderate	1	100.0	42.9	4,500	100.0	35.0	46.6
	Middle	0	0.0	50.0	0	0.0	57.8	35.6
	Upper	0	0.0	7.1	0	0.0	7.2	10.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		1	100.0	100.0	4,500	100.0	100.0
HMDA Totals	Low	8	1.4	0.7	389	0.5	0.3	1.8
	Moderate	107	18.4	16.8	12,618	15.9	14.6	22.2
	Middle	230	39.6	43.9	26,170	33.0	42.8	43.5
	Upper	236	40.6	38.6	40,021	50.5	42.4	32.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		581	100.0	100.0	79,198	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The bank made 6.1 percent of small business loans, by number, in low-income census tracts, outperforming the aggregate of lenders which made 5.1 percent of such loans, by number, in these census tracts. Seven percent of the assessment area’s businesses are located in low-income census tracts.

The bank made 24.6 percent of its small business loans, by number, in moderate-income census tracts, outperforming the aggregate of lenders which made 20.9 percent of such loans, by number, in these census tracts. Twenty four point one percent of the assessment area’s businesses are located in moderate-income census tracts.

The bank made 39.2 percent of its small business loans, by number in middle-income census tracts, comparable to the aggregate of lenders which made 39.8 percent of such loans, by number, in these census tracts. Thirty nine point nine percent of the assessment area’s businesses are located in middle-income census tracts.

The bank made 30.1 percent of its small business loans, by number in upper-income census tracts, less than the aggregate of lenders which made 32.9 percent, by number, of such loans in these census tracts. Twenty nine percent of the assessment area’s businesses are located in upper-income census tracts.

The table below presents the geographic distribution of small business loans in the assessment area in 2016.

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 South Bend-Mishawaka, IN-MI MSA 43780								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$ (000s)	\$ %					
Small Business	Low	36	6.1	5.1	5,451	5.8	6.9	7.0
	Moderate	145	24.6	20.9	26,945	28.7	24.6	24.1
	Middle	231	39.2	39.8	35,026	37.3	40.1	39.9
	Upper	177	30.1	32.9	26,541	28.2	28.1	29.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			1.3			0.4	
	Total	589	100.0	100.0	93,963	100.0	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes. In 2016, 1st Source Bank outperformed the aggregate of lenders in making HMDA-reportable loans to both low- and moderate-income borrowers. It made 7.6 percent of such loans, by number, to low-income borrowers while the aggregate of lenders made only 6.3 percent of its HMDA-reportable loans to low-income borrowers. The bank made 18.2 percent of its HMDA-reportable loans to moderate-income borrowers while the aggregate of lenders made 17.3 of such loans, by number to moderate-income borrowers. The bank's performance in these census tracts was comparable to the demographic: 18.4 percent of assessment area families are of moderate-income. While 1st Source did not approach the demographic of low-income families, 20.5 percent, this is reflective of challenges in lending to low-income people who are less likely to be creditworthy. As discussed above in the performance context, barriers to employment for some area residents and elevated poverty levels contribute to such lending challenges. Consequently the emphasis of this analysis is placed on the bank's performance relative to the aggregate of lenders, which demonstrates a heightened degree of responsiveness given assessment area needs, and the challenges to meeting them. Moreover, the home improvement lending to LMI borrowers was substantially higher than the aggregate of lenders: 38.7 percent versus 25.3 percent. This is also of significant responsiveness given the vast dilapidated housing of which community representatives spoke: providing loans to LMI individuals who own properties gives them the autonomy to rebuild their own communities, maintaining the attendant ownership and wealth.

1st Source's performance was strong relative to small business lending as well in 2016. It made 39.9 percent of its loans, by number, to businesses reporting annual revenues of \$1million or less. This is slightly less than, but comparable to, the aggregate of lenders which made 41.6 percent of its loans, by number, to these firms. Moreover, 84.3 percent of the bank's small business loans were made in amounts of \$100,000 or less, of general importance to smaller firms and start-up firms, but of particular importance to this assessment area's needs. Community representatives emphasized the importance of small business lending and micro lending, and the bank's performance demonstrates direct responsiveness to that need.

HMDA-Reportable Lending

Home Purchase Loans

The bank made 9.9 percent of its home purchase loans, by number, to low-income borrowers, outperforming the aggregate of lenders which made 6.8 percent of these loans, by number, to low-income borrowers. Low-income families represent 20.5 percent of assessment area families.

The bank made 15.7 percent of its home purchase loans, by number, to moderate-income borrowers, less than the aggregate of lenders which made 20.6 of these loans, by number, to moderate-income borrowers. Moderate-income families represent 18.4 percent of assessment area

families.

The bank made 15.2 percent of its home purchase loans, by number, to middle-income borrowers, less than the aggregate of lenders which made 22.7 of these loans, by number, to middle-income borrowers. Middle-income families represent 20.9 percent of assessment area families.

The bank made 46.6 percent of its home purchase loans, by number, to upper-income borrowers, more than the aggregate of lenders which made 37.5 percent of these loans, by number, to upper-income borrowers. Upper-income families represent 40.2 percent of assessment area families.

The bank made 12.6 percent of its home purchase loans, by number to borrowers of unknown income, comparable to the aggregate of lenders which made 12.3 percent of these loans, by number, to borrowers of unknown income.

Refinance Loans

The bank made 4.0 percent of its refinance loans, by number, to low-income borrowers, less than the aggregate of lenders which made 5.3 percent of these loans, by number, to low-income borrowers. Low-income families represent 20.5 percent of assessment area families.

The bank made 9.1 percent of its refinance loans, by number, to moderate-income borrowers, less than the aggregate of lenders which made 11.8 of these loans, by number, to moderate-income borrowers. Moderate-income families represent 18.4 percent of assessment area families.

The bank made 17.0 percent of its refinance loans, by number, to middle-income borrowers, comparable to the aggregate of lenders which made 17.9 of these loans, by number, to middle-income borrowers. Middle-income families represent 20.9 percent of assessment area families.

The bank made 63.6 percent of its refinance loans, by number, to upper-income borrowers, more than the aggregate of lenders which made 44.1 percent of these loans, by number, to upper-income borrowers. Upper-income families represent 40.2 percent of assessment area families.

The bank made 6.3 percent of its refinance loans, by number to borrowers of unknown income, less than the aggregate of lenders which made 21.0 percent of these loans, by number, to borrowers of unknown income.

Home Improvement Loans

The bank made 8.3 percent of its home improvement loans, by number, to low-income borrowers, outperforming the aggregate of lenders which made 6.9 percent of these loans, by number, to low-income borrowers. Low-income families represent 20.5 percent of assessment area families.

The bank made 30.4 percent of its home improvement loans, by number, to moderate-income borrowers, outperforming the aggregate of lenders which made 18.4 of these loans, by number, to

moderate-income borrowers. Moderate-income families represent 18.4 percent of assessment area families.

The bank made 26.0 percent of its home improvement loans, by number, to middle-income borrowers, more than the aggregate of lenders which made 22.3 of these loans, by number, to middle-income borrowers. Middle-income families represent 20.9 percent of assessment area families.

The bank made 26.5 percent of its home improvement loans, by number, to upper-income borrowers, less than the aggregate of lenders which made 46.5 percent of these loans, by number, to upper-income borrowers. Upper-income families represent 40.2 percent of assessment area families.

The bank made 8.8 percent of its home improvement loans, by number to borrowers of unknown income, more than the aggregate of lenders which made 6.7 percent of these loans, by number, to borrowers of unknown income.

The table below presents the borrower distribution of HMDA-reportable loans in the assessment area in 2016.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 South Bend-Mishawaka, IN-MI MSA 43780								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	22	9.9	6.8	1,776	4.9	3.4	20.5
	Moderate	35	15.7	20.6	2,804	7.7	13.4	18.4
	Middle	34	15.2	22.7	3,819	10.5	19.8	20.9
	Upper	104	46.6	37.5	25,000	68.6	53.7	40.2
	Unknown	28	12.6	12.3	3,059	8.4	9.7	0.0
	Total		223	100.0	100.0	36,458	100.0	100.0
Refinance	Low	7	4.0	5.3	402	1.3	2.4	20.5
	Moderate	16	9.1	11.8	1,140	3.6	6.9	18.4
	Middle	30	17.0	17.9	2,899	9.2	13.4	20.9
	Upper	112	63.6	44.1	25,969	82.3	57.4	40.2
	Unknown	11	6.3	21.0	1,156	3.7	19.9	0.0
	Total		176	100.0	100.0	31,566	100.0	100.0
Home Improvement	Low	15	8.3	6.9	287	4.3	2.8	20.5
	Moderate	55	30.4	18.4	1,237	18.5	9.4	18.4
	Middle	47	26.0	22.3	1,008	15.1	16.1	20.9
	Upper	48	26.5	45.6	3,735	56.0	67.6	40.2
	Unknown	16	8.8	6.7	407	6.1	4.0	0.0
	Total		181	100.0	100.0	6,674	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	20.5
	Moderate	0	0.0	0.0	0	0.0	0.0	18.4
	Middle	0	0.0	0.0	0	0.0	0.0	20.9
	Upper	0	0.0	0.0	0	0.0	0.0	40.2
	Unknown	1	100.0	100.0	4,500	100.0	100.0	0.0
	Total		1	100.0	100.0	4,500	100.0	100.0
HMDA Totals	Low	44	7.6	6.3	2,465	3.1	2.7	20.5
	Moderate	106	18.2	17.3	5,181	6.5	9.7	18.4
	Middle	111	19.1	20.9	7,726	9.8	15.5	20.9
	Upper	264	45.4	40.5	54,704	69.1	49.9	40.2
	Unknown	56	9.6	15.0	9,122	11.5	22.2	0.0
	Total		581	100.0	100.0	79,198	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The bank made 39.9 percent of its small business loans, by number, to firms reporting annual revenues of \$1 million or less, less than but comparable to the aggregate of lenders which made 41.6 percent of such loans, by number, to these firms. Businesses reporting annual revenues of \$1 million or less represent 89.2 percent of assessment area businesses.

The bank made 60.1 percent of its small business loans, by number, to firms reporting annual revenues of over \$1 million, more than but comparable to the aggregate of lenders which made 58.4 percent of such loans, by number, to these firms. Businesses reporting annual revenues of over \$1 million represent 10.8 percent of assessment area businesses.

The table below presents the borrower distribution of small business loans in the assessment area in 2016.

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 South Bend-Mishawaka, IN-MI MSA 43780									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		Bank	Agg	Bank	Agg	Agg			
#	%	%	\$ 000s	\$ %	\$ %	%			
Small Business	Revenue	\$1 Million or Less	235	39.9	41.6	18,750	20.0	29.3	89.2
		Over \$1 Million or Unknown	354	60.1	58.4	75,213	80.0	70.7	10.8
		Total	589	100.0	100.0	93,963	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	362	61.5	88.3	16,729	17.8	26.9	
		\$100,001 - \$250,000	105	17.8	5.4	18,732	19.9	15.6	
		\$250,001 - \$1 Million	122	20.7	6.3	58,502	62.3	57.5	
		Total	589	100.0	100.0	93,963	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	198	84.3		8,389	44.7		
		\$100,001 - \$250,000	21	8.9		3,513	18.7		
		\$250,001 - \$1 Million	16	6.8		6,848	36.5		
		Total	235	100.0		18,750	100.0		
	Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Community Development Lending

1st Source Bank is a leader in making community development loans. During the review period the bank made 95 loans worth a substantial \$116.0 million in the assessment area. This represents a 35.7 percent increase by number and an 88.0 percent increase by dollar from the previous evaluation during which time the bank made 70 community development loans worth \$61.7 million. Both the dollar volume and the percentage increases represent outstanding performance.

The bank’s level of responsiveness to specific assessment area needs was also noteworthy. Community representatives stressed affordable housing and small business lending as the major issues facing the South Bend-Mishawaka MSA. In response, 1st Source made affordable housing loans worth \$11.4 million. The bank supported first time homebuyers through a series of participation loans and it provided funds for projects constructing affordable housing, of particular responsiveness given the assessment area’s need for such. Moreover, in addition to an economic development loan worth \$2.5 million, the bank made loans worth \$61.2 million to provide working capital to organizations which provide new and retain existing jobs to low- and moderate-income individuals and revitalize and stabilize low- and moderate-income geographies. These companies not only reduce area blight, also addressed by community representatives, but the employment they offer allows LMI individuals to continue living and working in the assessment area instead of being forced to seek employment elsewhere.

The table below presents community development loans in the assessment area during the review period.

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
South Bend-Mishawaka, IN-MI MSA #43780	51	11,422	1	2,500	33	97,398	10	4,746	95	116,067	100.0

INVESTMENT TEST

1st Source Bank’s performance relative to the Investment Test in the South Bend-Mishawaka MSA is rated High Satisfactory based on an excellent level of qualified community development investments and grants, significant use of innovative and complex investments and good responsiveness to credit and community development needs.

The bank made an excellent level of qualified CD investments and grants, particularly those not provided by private investors, often in a leadership position. During the review period the bank made \$7.8 million in new investments and maintained \$12.4 million in prior period investments. The bank also made or maintained unfunded commitments worth \$783,000. Investment activity was a narrow 2.0 percent lower than during previous evaluation. During that time, 1st Source made \$7.7 million in new investments, maintained \$9.4 million in prior period investments and made unfunded commitments worth \$2.2 million. Nevertheless, considering the bank’s resources; South Bend-Mishawaka assessment area needs and performance of similarly situated institutions, current performance is strong enough to rise to the level of excellent.

The bank’s donations totaled \$531,000, comparable to the previous evaluation during which time donations totaled \$559,000 in the South Bend-Mishawaka MSA. However, donations were responsive to assessment area needs in supporting small business development through Chambers of Commerce and other entrepreneurship initiatives. Donations also addressed educational programs, youth services, homelessness and food insecurity among other issues.

1st Source makes significant use of innovative and complex investments to support community development initiatives. The bank invested over \$5 million in four projects eligible for Low-Income Housing Tax Credits (LIHTCs). These are particularly complex investments, taking substantial knowledge and time commitment to properly manage. The bank also invests in its affiliate, 1st Source Capital, a Small Business Investment Company, an innovative way to ensure that small businesses receive the funding they need through the bank’s investment channels.

The bank exhibits good responsiveness to credit and community development needs. The assessment area is in dire need of affordable rental housing, as indicated at “Housing Characteristics” in the performance context above. Each of the LIHTC investments serves that need. 1st Source also invested approximately \$5 million in small business development, another local need identified by community representatives. Of these economic development donations, \$2.4 million were made to the affiliated 1st Source Capital. However, the significant volume of less responsive mortgage backed securities, given the bank’s capacity, resources and expertise to enter into more responsive investments, prevents a higher component rating.

The tables below present qualified community development investments and donations in the assessment area during the review period.

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
South Bend-Mishawaka, IN-MI MSA #43780	17*	14,897	2	4,815	0	0	1	538	20	20,250	100.0

*Number of mortgage backed securities that contained assessment area loans plus additional affordable housing investments

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$	% of Total \$
South Bend-Mishawaka, IN-MI MSA #43780	7	131	67	117	4	4	74	279	152	531	100.0

SERVICE TEST

1st Source Bank’s performance relative to the Service Test in the South Bend-Mishawaka MSA is rated High Satisfactory based on the following: delivery systems are readily accessible to the bank’s geographies and individuals of different income levels in the assessment area. The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. Services vary in a way that inconveniences the bank’s assessment area, particularly to LMI geographies and individuals. 1st Source is a leader in providing community development services to the assessment area.

Retail Services

Delivery systems are readily accessible to the bank’s geographies and individuals of different income levels in the assessment area. 1st Source maintains 23 branches and 39 ATMs distributed throughout the entire MSA, including both LMI geographies and communities in its rural outskirts. No portion of the MSA is without branch coverage. The six branches located in LMI census tracts provide branch coverage to the distinct low- and moderate-income communities within the cities of South Bend in St. Joseph County and Dowagiac in Cass County. Moreover, the bank maintains branches in middle- and upper-income geographies located in proximity to LMI communities, providing additional options for in person banking to local residents. Distant small cities of North Liberty and Walkerton in St. Joseph County also have access to community branches. The data demonstrates outstanding accessibility to banking services.

1st Source’s record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. The bank closed one branch in a moderate-income census tract and two cash-only ATMs in middle-income census tracts during the review period. It opened no branches or ATMs. However, the moderate-income census tract in which the branch closed is in close proximity to other branches such that those who used it may easily access another branch. Consequently, accessibility has not been adversely affected.

Services vary in a way that inconveniences the bank’s assessment area, particularly LMI geographies and individuals. All non-campus branches are open from at least 9am to 5pm Monday through Friday, though many have extended hours, either in lobby, via drive thru or

both. While only two of six branches in LMI census tracts has extended hours, 14 of 17 branches in middle- and upper-income census tracts have extended hours, including later weekday evenings, Saturdays and Sundays. The proximity of some middle-income branches near certain LMI census tracts partially mitigates this issue. However, accessing branch services is more difficult for those living in low- and moderate-income geographies generally, particularly those working traditional hours of 9am to 5pm.

Community Development Services

1st Source Bank provides a relatively high level of community development services to its assessment area. The bank contributed a beneficial 2,573 hours of service to South Bend-Mishawaka during the review period, a 19.1 percent decrease in hours contributed since the previous evaluation during which time the bank contributed 3,179 hours of service to its community.

The vast majority of hours served, 2,418, fell into the community services designation. Bank employees served on nonprofit Boards of Directors, donating their time and technical knowledge to these local organizations. However, most of the bank’s community services hours were generated by providing financial education to South Bend-Mishawaka’s children and adults, a responsive activity across all communities.

The table below presents community development services in the assessment area during the review period.

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
South Bend-Mishawaka IN-MI MSA #43780	23	105	27	2,418	2,573	100.0

INDIANA

CRA RATING FOR INDIANA: Outstanding

The Lending Test is rated: Outstanding

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Outstanding

The CRA Rating for the State of Indiana is Outstanding. The rating is based on the institution's performance across the two full-scope assessment areas in Indiana, detailed below in the Scope of Examination.

SCOPE OF EXAMINATION

The following full-scope assessment areas contributed to the rating for Indiana: Elkhart-Goshen, IN MSA #21140 (Elkhart-Goshen or Elkhart-Goshen MSA) and Non MSA IN Western (Western). Generally, each carried equal weight in the analysis given the institution's branching, lending and deposit presence there. In instances in which component ratings differed between the assessment areas, the most representative rating for the entire state was used, taking into account all relevant factors. Limited scope assessment areas included Ft. Wayne, IN MSA #23060, Gary, IN MD #23844, Lafayette-West Lafayette, IN MSA #29200, Michigan City-La Porte, IN MSA #33140 and Non MSA IN Eastern. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN INDIANA

1st Source maintains seven assessment areas in Indiana, five of which are metropolitan areas and two of which are non-metropolitan areas. The bank maintains a total of 48 branches in Indiana. See individual assessment area summaries for demographic and economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA

LENDING TEST

1st Source Bank's performance relative to the Lending Test in Indiana is rated Outstanding based on the following factors as determined by the full scope assessment areas: the geographic distributions of loans reflects excellent penetration throughout the assessment areas contributing to the state rating; the distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes; the bank exhibits a good record of serving the credit needs of low-income individuals and areas and very small businesses; and it is a leader in making CD loans. See individual assessment area summary sections for details.

Geographic and Borrower Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment areas contributing to the state rating. 1st Source's performance relative to HMDA-reportable lending in Elkhart-Goshen was good, but did not rise to the level of excellent due to its performance relative to the aggregate of lenders. However, with respect to HMDA-reportable lending in Western, small business lending in both assessment areas and dispersion of lending throughout the assessment area in both assessment areas, the bank's performance was excellent as it consistently loaned to low- and moderate-income geographies at a rate beyond the aggregate of lenders, and it made loans to every census tract delineated.

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes. This was true for both Elkhart-Goshen and Western, where the bank consistently outperformed the aggregate of lenders with respect to both HMDA-reportable loans and small business loans.

Community Development Lending

The bank is a leader in making community development loans. 1st Source made \$59.6 million in loans throughout the full scope IN assessment areas, ensuring responsiveness to some of the state's most considerable needs, as identified through performance context.

INVESTMENT TEST

1st Source Bank's performance relative to the Investment Test in Indiana is rated Low Satisfactory based on the following factors as determined by the full scope assessment areas: the bank makes an adequate level of qualified CD investments and grants, makes rare use of innovative or complex investments to support CD initiatives and exhibits adequate responsiveness to credit and community development needs. See individual assessment area summary sections for details.

The bank made or maintained a total of \$8.8 million in investments across the full scope assessment areas during the review period, an increase of 4.8 percent from the previous evaluation. However, \$6.5 million of these investments were made in the Elkhart-Goshen assessment area while the remaining \$2.3 million were made in Western. Both assessment areas have similar populations, and the bank's presence in terms of loans, deposits and branches is also similar. While somewhat more opportunity for investment exists in the Elkhart-Goshen, IN MSA, community representatives have confirmed opportunity for lending in Non MSA IN Western, which is also suffers more heavily from issues related to higher rates of poverty.

Donations across the Indiana full scope assessment areas increased by 4.0 percent during the time since the previous evaluation. 1st Source made a total of \$445,000 in donations to Elkhart-Goshen and Western during the current review period, down from \$428,000 during the previous evaluation.

The bank made only traditional, non-innovative or complex investments in Indiana during the review period.

Investments and donations were of good responsiveness in Elkhart-Goshen, but only of adequate responsiveness in Western: while both assessment areas relied largely on mortgage backed securities, often less responsive than other types of investments, donations were better targeted to performance context related issues in Elkhart than they were in Western, resulting in adequate responsiveness for the full scope assessment areas as a whole.

SERVICE TEST

1st Source Bank's performance relative to the Service Test in Indiana is rated Outstanding based on the following factors as determined by the full scope assessment areas: delivery systems are readily accessible to the bank's geographies and individuals of different income levels in the assessment area; the bank's record of opening and closing branches has improved the accessibility of its delivery systems, particularly to LMI geographies and LMI individuals; services are tailored to the convenience and needs of its assessment area, particularly LMI geographies and LMI individuals and the bank makes a relatively high level of community development services. See individual assessment area summary sections for details.

Retail Services

Delivery systems were readily accessible to the bank's geographies and individuals of different income levels across assessment areas. The bank's record of opening and closing branches has improved accessibility of its delivery systems, particularly to LMI geographies and individuals. Services are tailored to the convenience and needs of the bank's assessment areas, particularly LMI geographies and individuals.

Community Development Services

1st Source provides a relatively high level of community development services, having provided 1,689 hours across Indiana's full scope assessment areas during the review period. While the bank provided more hours to Elkhart-Goshen than to Western, the strong level of responsiveness in Western demonstrated a good level of service for the combined full scope assessment areas.

ELKHART-GOSHEN, IN MSA #21140 - Full Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Elkhart-Goshen MSA received a full-scope review. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ELKHART-GOSHEN MSA

1st Source delineates the entirety of the Elkhart-Goshen MSA as its assessment area. The demographic breakdown of the assessment area is as follows: no low-income census tracts, eight moderate-income census tracts, 19 middle-income census tracts and nine upper-income census tracts.

The bank maintains ten branches and 11 ATMs in the assessment area. Eight ATMs are full-service and three are cash-only. There are two branches in moderate-income census tracts, five in middle-income census tracts and three in upper-income census tracts. The bank neither opened nor closed branches or ATMs in the MSA during the review period.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranked third of 17 institutions serving the market, with 17.8 percent of the area's deposit market share. Market leader JP Morgan Chase held a substantial 27.2 percent of deposits and second place market holder, Lake City Bank, held 21.9 percent of deposits. In addition, fourth and fifth place depository institutions held 13.6 and 10.2 percent of area deposits, respectively. The data indicates that while the bank is among market leaders it is also operating amid a reasonable level of competition.

1st Source ranked seventh among 200 HMDA-reporters serving the MSA in 2016. It made 253 loans, far fewer than did market leader Interra Credit Union, which made 410 loans in the assessment area that year. Only the top 16 lenders made more than 100 HMDA-reportable loans, demonstrating a competitive lending environment in addition to a competitive deposit environment. This pattern continues when assessing 1st Source's competition among CRA reporters in 2016. The bank ranked fourth of 69 CRA reporters serving the Elkhart-Goshen MSA, having made 264 such loans. This is comparable to the rest of the top seven lenders, which made over 200 loans that year.

Assessment Area Demographics

Assessment Area: 2016 Elkhart-Goshen, IN MSA 21140								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	8,972	17.8
Moderate-income	8	22.2	8,026	15.9	1,865	23.2	9,668	19.2
Middle-income	19	52.8	27,472	54.5	2,515	9.2	11,477	22.8
Upper-income	9	25.0	14,878	29.5	741	5.0	20,259	40.2
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	36	100.0	50,376	100.0	5,121	10.2	50,376	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	14,524	6,675	13.1	46.0	5,457	37.6	2,392	16.5
Middle-income	42,869	28,324	55.6	66.1	11,049	25.8	3,496	8.2
Upper-income	19,940	15,923	31.3	79.9	2,607	13.1	1,410	7.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	77,333	50,922	100.0	65.8	19,113	24.7	7,298	9.4
	Total Businesses	Businesses by Tract & Revenue Size						
	Tract	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	1,274	16.5	1,080	16.4	183	17.1	11	13.6
Middle-income	4,247	55.0	3,533	53.7	667	62.5	47	58.0
Upper-income	2,202	28.5	1,961	29.8	218	20.4	23	28.4
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	7,723	100.0	6,574	100.0	1,068	100.0	81	100.0
	Percentage of Total Businesses:			85.1		13.8		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
	Tract	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	5	1.6	5	1.6	0	0.0	0	0.0
Middle-income	131	40.9	129	40.8	2	50.0	0	0.0
Upper-income	184	57.5	182	57.6	2	50.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	320	100.0	316	100.0	4	100.0	0	0.0
	Percentage of Total Farms:			98.8		1.3		0.0

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

Population Characteristics

Population in the assessment area increased at a slightly greater rate than it did in the state between 2010 and 2011-2015. The Elkhart-Goshen MSA grew by 1.6 percent while Indiana grew by 1.3 percent during that period. Community representatives indicate that higher income individuals are moving into the Elkhart-Goshen MSA from the South Bend-Mishawaka MSA for better cost of living and quality of life, while maintaining their employment in St. Joseph County. However, population growth is slow due to limited housing options in the Elkhart-Goshen MSA. This provides some context for the slightly higher yet minimal increase in the MSA’s population.

The table below presents the population change in the assessment area and in Indiana during 2010 and 2011-2015.

Population Change 2010 and 2011-2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Elkhart-Goshen, IN	197,559	200,685	1.6
State of Indiana	6,483,802	6,568,645	1.3
<i>Source: 2010— U.S. Census Bureau: Decennial Census 2011-2015— U.S. Census Bureau: American Community Survey</i>			

Income Characteristics

Median family income rose by 3.4 percent in the assessment area between 2006-2010 and 2011-2015, slightly slower than it did in Indiana, where it rose by 3.7 percent during the same period. Moreover, median family income was lower in the assessment area, \$55,551 in 2011-2015, compared to \$61,119 in the state. Lower income and lower rates of growth can be attributed to a lower cost of living, generally, in the MSA.

While falling at the same rate, personal bankruptcy rates are lower in the MSA than in Indiana. Between 2013 and 2016 personal bankruptcy filings fell from 4.5 per 1,000 population to 2.9 per 1,000 population there. In Indiana, during the same period, personal bankruptcy filings also fell, from 5.1 per 1,000 population to 3.6 per 1,000 population. Community representatives credit strong local business performance for the lower rate of bankruptcies in the assessment area.

The table below presents median family income change between 2006-2010 and 2011-2015 in the assessment area and in Indiana.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Elkhart-Goshen, IN	53,742	55,551	3.4
State of Indiana	58,944	61,119	3.7
<i>Source: 2006-2010 – U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>			

While falling at the same rate, personal bankruptcy rates are lower in the MSA than in Indiana. Between 2013 and 2016 personal bankruptcy filings fell from 4.5 per 1,000 population to 2.9 per 1,000 population there. In Indiana, during the same period, personal bankruptcy filings also fell, from 5.1 per 1,000 population to 3.6 per 1,000 population. Community representatives credit strong local business performance for the lower rate of bankruptcies in the assessment area.

Housing Characteristics

Throughout the assessment area median housing value fell by 3.1 percent between 2006-2010 and 2011-2015, while during the same period, median housing value grew by 1.0 percent in Indiana. However, community representatives emphasize that housing was in high demand in the Elkhart-Goshen MSA by 2016, and that pattern continues as of this writing. The U.S. Census Bureau data for the period 2012-2016 confirms that during the review period median housing value had risen to \$125,300. In addition, the rate of owner-occupied housing in moderate-income census tracts is 46.0 percent. This factor, coupled with the growing demand for homes in the assessment area demonstrate opportunity for HMDA-reportable lending in the assessment area’s less economically advantaged areas.

Rental housing is of equal importance to the assessment area. Community representatives indicate that while city planners and developers are working hard to build housing units, including affordable housing, throughout the assessment area they have not yet been able to match demand, particularly for rental housing. As of 2011-2015, median gross rent had risen 3.5 percent from its levels in 2006-2010 while it grew by 9.1 percent across Indiana during the same period. The cost of rental housing, though continuing to increase in the MSA, has not increased to the same extent as it has across Indiana primarily due to the minimal number of new properties.

According to LPS Applied Analytics, foreclosures averaged 1.7 percent of housing stock in Elkhart-Goshen MSA in 2015-2016, comparable to the state’s average of 1.6 percent of housing stock during this period. The data confirms the assessment area’s strong recovery from the economic downturn.

The table below presents trends in housing costs between 2006-2010 and 2011-2015 in the assessment area and in Indiana.

Trends in Housing Costs 2006-2010 and 2011-2015				
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)
Elkhart-Goshen, IN	128,000	124,000	695	719
State of Indiana	123,000	124,200	683	745
<i>Source: 2006-2010— U.S. Census Bureau: American Community Survey 2011-2015— U.S. Census Bureau: American Community Survey</i>				

Employment Characteristics

Unemployment fell faster in the Elkhart-Goshen MSA than it did in the state between 2013 and 2016. Their rates were comparable in 2013: 7.6 percent and 7.5 percent, respectively. But by 2016 the MSA’s unemployment rate was 3.5 percent while Indiana’s unemployment rate was 4.4 percent. Community representatives indicate that local businesses are performing well and are regularly hiring qualified employees. Firms are purchasing property for expansion, particularly in the Information Technology, health care and manufacturing industries, with recreational vehicle production leading the way. The local economy continues to thrive, providing an environment where unemployment rates continue to fall.

The table below presents unemployment rates between 2013 and 2016 in the assessment area and in Indiana.

Unemployment Rates (%) 2013 to 2016				
Region	2013	2014	2015	2016
Elkhart-Goshen, IN	7.6	5.2	3.9	3.5
State of Indiana	7.5	6.0	4.8	4.4
<i>Source: U.S. Bureau of Labor Statistics</i>				

Major Employers

The assessment area’s largest employers represent the health care and manufacturing industries. These two industries employ over 7,500 individuals working in the assessment area, not taking into account the many firms employing fewer than 1,000 individuals. For instance, several other such recreational vehicle manufacturers exist in the area. While local industry has generally yet to diversify, as indicated by the location quotients for manufacturing and goods producing (5.2 and 3.4, respectively), employment opportunity for residents is available.

The table below presents the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Norfolk Southern	4,000	Railroad Contractors
Ferrell Gas	3,908	Gas- Propane- Filling Stations
Always In Stone Monument Co.	2,000	Monuments
Jayco Inc	1,600	Manufacturers- Trailers
Elkhart General Hospital	1,600	Hospitals
Henkels & McCoy	1,500	Utility Contractors
Supreme Industries, Inc.	1,200	Truck Bodies- Manufacturers
Goshen General Hospital	1,200	Hospitals
Conn-Selmer, Inc.	1,100	Musical Instruments- Manufacturers
Heartland Recreational Vehicles	1,000	Recreational Vehicles

Source: InfoUSA

Community Representatives

Three community representatives were contacted to provide information about local housing, employment and other economic conditions. Each represented economic development organizations. Representatives indicated that the assessment area’s greatest needs were additional housing and population to support growing industry. There is insufficient housing, both rental and owner occupied, to support the individuals moving into the area to work in manufacturing, health care and information technology. Consequently, employers struggle to fill the positions they continue to create. Representatives also stated that limited public transit created challenges for low- and moderate-income people to reach the parts of the community where employment is growing. They also mentioned some blight in less economically advantaged areas.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE ELKHART-GOSHEN, IN MSA

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration throughout the assessment area. In 2016, 1st Source made 8.3 percent of its HMDA-reportable loans, by number, in moderate-income census tracts, outperformed by the aggregate of lenders which made 9.8 percent of such loans in moderate-income census tracts. The bank’s performance relative to HMDA-reportable lending is good, but does not rise to the level of excellent given the 46.0 percent rate of owner-occupied housing in moderate-income census tracts and the substantial opportunity for residential lending throughout the assessment area.

The bank's performance with respect to small business lending, however, was excellent in 2016. It made 18.8 percent of its small business loans in moderate-income census tracts, outperforming the aggregate of lenders, which made 13.5 percent of such loans, by number in these census tracts. The bank also exceeded the demographic of businesses located in moderate-income census tracts: 16.5 percent. Further, funding small business in these census tracts helps to address the blight of which community representatives spoke, increasing 1st Source's level of responsiveness to community needs.

1st Source's dispersion of lending throughout the assessment area was also excellent. The bank made loans in 100.0 percent of the MSA's census tracts. Such performance demonstrates excellent responsiveness to the entire assessment area's lending needs, regardless of location, community, income-level or ease of lending.

HMDA Reportable Lending

Home Purchase Loans

The bank made 5.7 percent of its home purchase loans, by number, in moderate-income census tracts, less than the aggregate of lenders which made 10.6 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in moderate-income census tracts is 13.1.

The bank made 56.2 percent of its home purchase loans, by number, in middle-income census tracts, more than the aggregate of lenders which made 53.9 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in middle-income census tracts is 55.6.

The bank made 38.1 percent of its home purchase loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 35.5 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in upper-income census tracts is 31.3.

Refinance Loans

The bank made 4.3 percent of its refinance loans, by number, in moderate-income census tracts, less than the aggregate of lenders which made 8.2 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in moderate-income census tracts is 13.1.

The bank made 51.1 percent of its refinance loans, by number, in middle-income census tracts, comparable to the aggregate of lenders which made 51.2 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in middle-income census tracts is 55.6.

The bank made 44.7 percent of its refinance loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 40.6 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in upper-income census tracts is 31.3.

Home Improvement Loans

The bank made 20.4 percent of its home improvement loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 10.3 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in moderate-income census tracts is 13.1.

The bank made 38.9 percent of its home improvement loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 46.5 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in middle-income census tracts is 55.6.

The bank made 40.7 percent of its home purchase loans, by number, in upper-income census tracts, less than the aggregate of lenders which made 43.2 percent of such loans, by number, in these census tracts. The assessment area's percentage of owner-occupied housing in upper-income census tracts is 31.3.

The table below presents the geographic distribution of HMDA-reportable loans in the assessment area in 2016.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Elkhart-Goshen, IN MSA 21140								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	6	5.7	10.6	515	3.1	6.5	13.1
	Middle	59	56.2	53.9	8,380	50.7	51.1	55.6
	Upper	40	38.1	35.5	7,629	46.2	42.4	31.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		105	100.0	100.0	16,524	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	4	4.3	8.2	238	1.5	4.7	13.1
	Middle	48	51.1	51.2	6,029	38.2	45.5	55.6
	Upper	42	44.7	40.6	9,499	60.2	49.8	31.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		94	100.0	100.0	15,766	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	11	20.4	10.3	242	11.1	5.0	13.1
	Middle	21	38.9	46.5	855	39.1	41.8	55.6
	Upper	22	40.7	43.2	1,090	49.8	53.3	31.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		54	100.0	100.0	2,187	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	25.0	0	0.0	3.9	25.7
	Middle	0	0.0	75.0	0	0.0	96.1	69.0
	Upper	0	0.0	0.0	0	0.0	0.0	5.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	21	8.3	9.8	995	2.9	5.8	13.1
	Middle	128	50.6	52.5	15,264	44.3	48.8	55.6
	Upper	104	41.1	37.7	18,218	52.8	45.4	31.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		253	100.0	100.0	34,477	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The bank made 18.8 percent of its small business loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 13.5 percent of its loans, by number, in these census tracts. The total percentage of assessment area businesses located in moderate-income census tracts is 16.5.

The bank made 62.0 percent of its small business loans, by number, in middle-income census tracts, more than the aggregate of lenders which made 54.7 percent of its loans, by number, in these census tracts. The total percentage of assessment area businesses located in middle-income census tracts is 55.0.

The bank made 19.2 percent of its small business loans, by number, in upper-income census tracts, less than the aggregate of lenders which made 30.1 percent of its loans, by number, in these census tracts. The total percentage of assessment area businesses located in upper-income census tracts is 28.5.

The table below presents the geographic distribution of small business lending in the assessment area in 2016.

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Elkhart-Goshen, IN MSA 21140								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg	Dollar		Agg	
		Bank	%	%	Bank	%	%	%
		#	%	%	\$ (000s)	\$ %	\$ %	%
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	48	18.8	13.5	9,015	21.8	15.9	16.5
	Middle	158	62.0	54.7	25,241	61.0	59.8	55.0
	Upper	49	19.2	30.1	7,149	17.3	23.4	28.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			1.6			0.9	
	Total		255	100.0	100.0	41,405	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes. In 2016, 1st Source Bank made 2.4 percent of its HMDA-reportable loans, by number, to low-income borrowers, substantially fewer than the aggregate of lenders, which made 4.7 percent of such loans, by number, to these borrowers. Neither approached the demographic of low-income families in the MSA, 17.8 percent. The assessment area has an elevated rate of families living below the poverty line, 10.2 percent. This creates a challenge in lending to low-income families, providing context for aggregate lenders' position so far below the demographic. There is no such context for the extent to which the aggregate of lenders was able to outperform 1st Source.

However, the bank's performance was significantly better with respect to moderate-income borrowers. In 2016, the bank made 19.4 percent of its HMDA-reportable loans to these borrowers, outperforming the aggregate of lenders which made 17.5 percent of its HMDA-reportable loans to moderate-income borrowers. Moreover, the bank's level of lending exceeded the demographic of moderate-income families in the assessment area, 19.2 percent.

1st Source's small business lending was also strong. The bank outperformed the aggregate of lenders with respect to businesses reporting annual revenues of \$1 million or less in 2016. It made 42.0 percent of loans, by number, to these borrowers while the aggregate of lenders made 33.6 of its small business loans, by number, to these borrowers. Eighty five point one percent of assessment area businesses report annual revenues of \$1 million or less. Further, the bank made 85.0 percent of its loans to businesses reporting annual revenues of \$1 million or less in amounts of \$100,000 or less, deemed most responsive to the smallest businesses.

HMDA Reportable Lending

Home Purchase Loans

The bank made 4.8 percent of its home purchase loans, by number, to low-income borrowers, comparable to the aggregate of lenders, which made 4.7 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 20.0 percent of its home purchase loans, by number, to moderate-income borrowers, comparable to the aggregate of lenders, which made 20.1 percent of such loans, by number, to these borrowers. Moderate-income families represent 19.2 percent of assessment area families.

The bank made 21.0 percent of its home purchase loans, by number, to middle-income borrowers, less than the aggregate of lenders, which made 26.8 percent of such loans, by number, to these borrowers. Middle-income families represent 22.8 percent of assessment area families.

The bank made 51.4 percent of its home purchase loans, by number, to upper-income borrowers, more than the aggregate of lenders, which made 34.0 percent of such loans, by number, to these borrowers. Upper-income families represent 40.2 percent of assessment area families.

Refinance Loans

The bank made 1.1 percent of its refinance loans, by number, to low-income borrowers, less than the aggregate of lenders, which made 4.5 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 13.8 percent of its refinance loans, by number, to moderate-income borrowers, less than the aggregate of lenders, which made 31.1 percent of such loans, by number, to these borrowers. Moderate-income families represent 19.2 percent of assessment area families.

The bank made 14.9 percent of its refinance loans, by number, to middle-income borrowers, less than the aggregate of lenders, which made 19.9 percent of such loans, by number, to these borrowers. Middle-income families represent 22.8 percent of assessment area families.

The bank made 64.9 percent of its refinance loans, by number, to upper-income borrowers, more than the aggregate of lenders, which made 43.3 percent of such loans, by number, to these borrowers. Upper-income families represent 40.2 percent of assessment area families.

Home Improvement Loans

The bank made no home improvement loans to low-income borrowers, less than the aggregate of lenders, which made 5.1 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 27.8 percent of its home improvement loans, by number, to moderate-income borrowers, more than the aggregate of lenders, which made 16.7 percent of such loans, by number, to these borrowers. Moderate-income families represent 19.2 percent of assessment area families.

The bank made 29.6 percent of its home improvement loans, by number, to middle-income borrowers, more than the aggregate of lenders, which made 24.4 percent of such loans, by number, to these borrowers. Middle-income families represent 22.8 percent of assessment area families.

The bank made 38.9 percent of its home improvement loans, by number, to upper-income borrowers, less than the aggregate of lenders, which made 48.8 percent of such loans, by number, to these borrowers. Upper-income families represent 40.2 percent of assessment area families.

The table below presents the borrower distribution of HMDA-reportable loans in the assessment area in 2016.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Elkhart-Goshen, IN MSA 21140								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	5	4.8	4.7	324	2.0	2.5	17.8
	Moderate	21	20.0	20.1	1,967	11.9	13.9	19.2
	Middle	22	21.0	26.8	2,664	16.1	24.8	22.8
	Upper	54	51.4	34.0	10,811	65.4	45.8	40.2
	Unknown	3	2.9	14.4	758	4.6	13.0	0.0
	Total		105	100.0	100.0	16,524	100.0	100.0
Refinance	Low	1	1.1	4.5	70	0.4	2.3	17.8
	Moderate	13	13.8	13.1	1,374	8.7	8.5	19.2
	Middle	14	14.9	19.9	1,328	8.4	16.0	22.8
	Upper	61	64.9	43.3	12,046	76.4	54.6	40.2
	Unknown	5	5.3	19.2	948	6.0	18.5	0.0
	Total		94	100.0	100.0	15,766	100.0	100.0
Home Improvement	Low	0	0.0	5.1	0	0.0	2.5	17.8
	Moderate	15	27.8	16.7	155	7.1	9.6	19.2
	Middle	16	29.6	24.4	331	15.1	18.7	22.8
	Upper	21	38.9	48.8	1,693	77.4	65.5	40.2
	Unknown	2	3.7	4.9	8	0.4	3.7	0.0
	Total		54	100.0	100.0	2,187	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	17.8
	Moderate	0	0.0	0.0	0	0.0	0.0	19.2
	Middle	0	0.0	0.0	0	0.0	0.0	22.8
	Upper	0	0.0	0.0	0	0.0	0.0	40.2
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	6	2.4	4.7	394	1.1	2.4	17.8
	Moderate	49	19.4	17.5	3,496	10.1	11.9	19.2
	Middle	52	20.6	24.3	4,323	12.5	21.5	22.8
	Upper	136	53.8	38.1	24,550	71.2	49.6	40.2
	Unknown	10	4.0	15.4	1,714	5.0	14.6	0.0
	Total		253	100.0	100.0	34,477	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

1st Source made 42.0 percent of its small business loans, by number, to borrowers reporting annual revenues of \$1 million or less, more than the aggregate of lenders which made 33.6 percent of such loans to these borrowers. Total assessment area businesses reporting annual revenues of \$1 million or less are 85.1 percent.

1st Source made 58.0 percent of its small business loans, by number, to borrowers reporting annual revenues above \$1 million, less than the aggregate of lenders which made 66.4 percent of such loans to these borrowers. Total assessment area businesses reporting annual revenues above \$1 million are 14.9 percent.

The table below presents small business lending by revenue and loan size in the assessment area in 2016.

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Elkhart-Goshen, IN MSA 21140									
Product Type		Bank & Aggregate Lending Comparison							
		Count		2016 Dollar			Total Businesses		
		Bank #	Agg %	Bank \$ 000s	Agg \$ %	Total %			
Small Business	Revenue	\$1 Million or Less	107	42.0	33.6	7,087	17.1	28.2	85.1
		Over \$1 Million or Unknown	148	58.0	66.4	34,318	82.9	71.8	14.9
		Total	255	100.0	100.0	41,405	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	163	63.9	85.0	8,325	20.1	20.1	
		\$100,001 - \$250,000	49	19.2	6.4	8,836	21.3	15.3	
		\$250,001 - \$1 Million	43	16.9	8.5	24,244	58.6	64.5	
		Total	255	100.0	100.0	41,405	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	91	85.0		3,525	49.7		
		\$100,001 - \$250,000	13	12.1		2,571	36.3		
		\$250,001 - \$1 Million	3	2.8		991	14.0		
Total		107	100.0		7,087	100.0			
Originations & Purchases									
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Community Development Lending

1st Source is a leader in making community development loans. During the review period the bank made 31 such loans worth \$98.3 million in the assessment area. This represents a substantial dollar increase of 863.7 percent from the previous evaluation, during which time the bank made loans worth \$10.2 million. By volume alone the bank’s community development loans are responsive. But they are also responsive as the majority of such loans were for working capital to local

businesses, helping to maintain work for low- and moderate-income people, and to prevent further blight of LMI neighborhoods.

The table below presents the bank’s community development loans in the assessment area during the review period.

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Elkhart- Goshen, IN MSA #21140	0	0	2	23,872	23	67,930	7	6,550	32	98,352	100.0

INVESTMENT TEST

1st Source Bank’s performance relative to the Investment Test in the Elkhart-Goshen MSA is High Satisfactory based on the following: the bank makes a significant number of qualified community development investments and grants. It makes rare use of innovative or complex investments to support CD initiatives and it exhibits good responsiveness to credit and community development needs.

The bank makes a significant number of qualified community development investments and grants. The bank made \$885,000 in new investments to the assessment area and maintained prior period investments of \$5.6 million. 1st Source’s performance is similar to its performance during the previous evaluation when it made \$2.1 million in new investments and maintained prior period investments of \$3.4 million. Such investment is reasonable in light of the bank’s prominence in the assessment area as demonstrated by its branch presence and its lending and deposit market shares, particularly considering the active competition for investments in the MSA.

Donations totaled 113 worth \$241,000 during the review period. While the bank made 76.5 percent more donations, by number, than it did during the previous evaluation, it made a slightly lower dollar volume of donations overall: at that time the bank donated \$249,000 to the Elkhart-Goshen MSA.

The bank does not use of innovative and complex investments to support community development initiatives. During the review period it made only traditional investments in the assessment area.

1st Source Bank exhibits good responsiveness to credit and community development needs of the Elkhart-Goshen MSA. New investments were all made with the purpose of affordable housing, of particular importance to the assessment area. And two prior period investments, with the purpose

to revitalize and stabilize the community, were made in the Elkhart River District. These are expected to draw new residents, housing and services to the assessment area, of substantial responsiveness given local challenges with housing and filling available employment.

The tables below present the bank’s community development investments and donations during the review period.

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Elkhart- Goshen MSA #21140	8*	4,285	1	250	2	2,014	0	0	11	6,550	100.0

*Number of mortgage backed securities that contained assessment area loans

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Elkhart- Goshen, IN MSA #21140	1	10	31	47	0	0	81	184	113	241	100.0

SERVICE TEST

1st Source Bank’s performance relative to the Service Test in Elkhart-Goshen MSA is Outstanding based on the following: delivery systems are readily accessible to the bank’s geographies and individuals of different income levels in its assessment area. The bank’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and individuals. Services are tailored to the convenience and needs of the assessment area, particularly LMI geographies and individuals. The bank provides an adequate level of community development services.

Retail Services

Delivery systems are readily accessible to the bank’s geographies and individuals of different income levels in its assessment area. 1st Source maintains ten branches throughout the assessment area in all geographical regions except for the southeast portion of Elkhart County. However, the area is entirely rural with only one small town; a limited portion of the county’s population lives there. Moreover, the area is located between two branches within a reasonable driving distance given the rural nature of the area. Accessibility is not a real challenge for the few individuals living in that community.

The bank’s record of opening and closing branches has improved the accessibility of its delivery systems, particularly to low- and moderate-income geographies and individuals. The bank opened one branch in an upper-income census tract, 21.01, during the review period. Neighboring census tract 21.02 is a moderate-income census tract, located 1.3 miles from the new branch. Prior to the new branch opening, the closest branch to census tract 21.02 was the Elkhart West branch, 3.1 miles away. Consequently, the opening of the branch in upper-income census tract 21.01 increased accessibility to those living and working in the assessment area’s moderate-income census tracts.

Services are tailored to the convenience and needs of the assessment area, particularly LMI geographies and individuals. 1st Source branches are open at minimum, Monday through Friday, 9am to 5pm. But nine of ten assessment area branches maintain extended hours into the evenings and weekends, including Sundays at some locations. The one branch that does not offer extended hours is located in middle-income census tract 29.00. However, 1st Source has another branch in census tract 29.00 that does offer extended hours, increasing accessibility for those who typically rely on the former branch. The bank’s extended hours provide accessibility for those who are unable to reach branches during regular business hours, including LMI individuals who may have less flexibility given work schedules.

Community Development Services

1st Source provides an adequate level of community development services. It provided 684 hours of volunteer financial services during the current review period, comparable to the 693 hours of service provided during the previous review period. In addition, while all bank services were responsive, the bank did not contribute hours to affordable housing efforts, one of the assessment area’s greatest needs.

The table below presents the bank’s community development services during the review period in the assessment area.

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Elkhart- Goshen, IN MSA #21140	0	81	1	602	684	100.0

NON MSA IN WESTERN- Full Review

SCOPE OF THE EXAMINATION

1st Source's operations in Non MSA IN Western received a full-scope review. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NON MSA IN WESTERN

1st Source delineates the following counties as part of its Western assessment area: Fulton, Kosciusko, Marshall, Pulaski and Starke. These contain a total of 48 census tracts, none of which are low-income, four of which are moderate-income, 35 of which are middle-income and nine of which are upper-income. None of the census tracts are distressed or underserved.

The bank maintains nine branches and 15 ATMs throughout the assessment area. Three branches are located in moderate-income census tracts, five branches are located in middle-income census tracts and one branch is located in an upper-income census tract. Eight of nine branches maintain onsite full-service ATMs, while the bank also maintains one stand-alone full-service ATM and six cash-only ATMs elsewhere in the assessment area. 1st Source relocated one branch within a moderate-income census tract during the review period; no other openings or closings occurred.

According to the FDIC Market Share report, dated June 30, 2017, 1st Source ranks second of 21 institutions serving the Western market, with 17.2 percent of the market share. First place Lake City Bank has a substantially higher 31.2 percent of the market share but the remaining 19 area institutions each maintain less than ten percent of the market share, demonstrating the bank's importance to the deposit market.

1st Source ranks third among 279 HMDA reporters in the assessment area, making 259 HMDA-reportable loans in 2016. Market leaders First FSB and Ruoff Mortgage Company, Inc. made a significantly higher level of such loans that year, 943 and 494, respectively. However, the market is still a competitive one for 1st Source relative to those lenders ranked fourth through 12th, which made between 122 and 230 loans each. 1st Source also faces competition for CRA-reportable loans in Western. In 2016 it ranked third of 69 CRA reporters serving the market, making 336 loans, while market leaders US Bank, NA and Citibank, NA made 361 and 343 such loans, respectively. Institutions ranked fourth through seventh also performed similarly to the bank, having made between 180 and 305 loans that year.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Western IN Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	8,962	17.5	
Moderate-income	4	8.3	4,128	8.1	924	22.4	9,579	18.7	
Middle-income	35	72.9	37,310	73.0	3,095	8.3	12,112	23.7	
Upper-income	9	18.8	9,674	18.9	476	4.9	20,459	40.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	48	100.0	51,112	100.0	4,495	8.8	51,112	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	7,031	3,602	6.6	51.2	2,889	41.1	540	7.7	
Middle-income	60,026	40,348	73.6	67.2	10,652	17.7	9,026	15.0	
Upper-income	15,848	10,863	19.8	68.5	2,380	15.0	2,605	16.4	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	82,905	54,813	100.0	66.1	15,921	19.2	12,171	14.7	
	Total Businesses Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0	0.0
Moderate-income	1,075	14.5	947	14.3	115	18.5	13	10.3	
Middle-income	4,980	67.4	4,464	67.2	430	69.2	86	68.3	
Upper-income	1,337	18.1	1,234	18.6	76	12.2	27	21.4	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	7,392	100.0	6,645	100.0	621	100.0	126	100.0	
	Percentage of Total Businesses:			89.9		8.4		1.7	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0	0.0
Moderate-income	8	0.9	8	0.9	0	0.0	0	0	0.0
Middle-income	700	76.4	690	76.8	10	58.8	0	0.0	
Upper-income	208	22.7	201	22.4	7	41.2	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	916	100.0	899	100.0	17	100.0	0	0.0	
	Percentage of Total Farms:			98.1		1.9		0.0	
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

The assessment area lost population by an average of 0.9 percent between 2010 and 2011-2015, less than Indiana’s population growth of 1.3 percent during the same period. The largest population loss, 2.7 percent, occurred in Pulaski County while the largest gain was 0.8 percent in Kosciusko County. According to community representatives, Kosciusko County is seeing a slight increase in population because of the availability of employment there, particularly in the manufacturing industry, and the proximity of local lake attractions. Pulaski County has the smallest population in the assessment area and lost the highest percentage of residents due to people leaving the county for better economic opportunity in larger communities, according to community representatives.

The table below presents population change between 2010 and 2011-2015 in the assessment area and in Indiana.

Population Change 2010 and 2011-2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Fulton County	20,836	20,527	-1.5
Kosciusko County	77,738	77,983	0.8
Marshall County	47,051	46,962	-0.2
Pulaski County	13,402	13,047	-2.65
Starke County	23,363	23,117	-1.05
State of Indiana	6,483,802	6,568,645	1.3
<i>Source: 2010 – U.S. Census Bureau: Decennial Census 2011-2015 – U.S. Census Bureau: American Community Survey</i>			

Income Characteristics

The assessment area’s median family income grew by an average of 7.9 percent between 2006-2010 and 2011-2015, more than twice Indiana’s rate of growth during the same period, 3.7 percent. MFI also rose by a substantial 13.4 percent and 13.7 percent in Fulton and Starke Counties, respectively, between the periods 2006-2010 and 2011-2015. These two counties also had the lowest incomes in 2006-2010, though by 2011-2015, Pulaski County had replaced Fulton County as the second to lowest income in the assessment area. According to Starke County Economic Development Foundation publications, area employers are understaffed, providing some context for the increase in wages, despite the county’s lower income overall. With respect to Fulton County, community representatives indicate that the area is recovering quickly from the economic downturn due to a resurgence of industry and a widening income gap in the county which has become more prominent of late.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Fulton County	47,972	54,405	13.4
Kosciusko County	56,305	61,127	8.6
Marshall County	58,017	59,601	2.7
Pulaski County	50,903	51,345	0.9
Starke County	44,044	50,072	13.7
State of Indiana	58,944	61,119	3.7
Source: 2006-2010— U.S. Census Bureau: American Community Survey 2011-2015— U.S. Census Bureau: American Community Survey			

Personal bankruptcy rates were somewhat lower in the assessment area, on average, than they were in the state in 2016. The former had a rate of 3.2 per 1,000 population while the latter had a rate of 3.6 per 1,000 population. However, Kosciusko County’s bankruptcy rate was an elevated 4.2 per 1,000 population in 2016. Community representatives state that the county’s younger workers are facing economic challenges, including job readiness, which drive this metric. The table below presents median family income change between 2006-2010 and 2011-2015 in the assessment area and Indiana.

Housing Characteristics

Within the assessment area, 51.2 percent of those living in the moderate-income census tracts own their homes. Such data demonstrates opportunity for HMDA-reportable lending there. Moreover, community representatives state a wide need for housing, both single family and multifamily, throughout most of the assessment area, but not in Pulaski County, where a smaller population eliminates the level of demand experienced in other areas. Elsewhere in Western homes are being purchased and developed, though the former is occurring faster than the latter. Such need provides an additional opportunity for the bank to make home mortgage loans in the assessment area.

There are only approximately 3,600 owner occupied homes in Western’s moderate-income census tracts, which would provide a limited application volume under the best of economic circumstances. Despite gains, Western’s median family income, on average \$55,310, is 10.5 percent less than the state’s, limiting all residents’ ability to borrow, including LMI individuals and those living in moderate-income census tracts. The result is an environment where lending opportunity exists but is tempered by these challenges.

According to LPS Applied Analytics, foreclosures were slightly elevated in the assessment area during the period 2015-2016, averaging 2.0 percent of housing stock, compared to Indiana’s rate of 1.6 percent of housing stock during the same period. Western’s foreclosure rate was driven by Starke County’s rate of 2.4 percent, Fulton County’s rate of 2.2 percent and Pulaski County’s rate of 2.1 percent. These three counties had the lowest median family incomes in the assessment area in

2011-2015 and the slowest rates of growth in median family income between 2006-2010 and 2011-2015. Moreover, both Fulton and Starke Counties experienced significant rates of unemployment in the years leading up to 2015-2016. For instance, in 2013, Fulton County had an unemployment rate of 8.2 percent while Starke County had an unemployment rate of 9.1 percent. These factors provide context for the assessment area’s elevated rate of foreclosures during the review period.

Trends in housing costs were consistent between Western and the State of Indiana. Median housing value (MHV) decreased by an average of 1.2 percent during the period 2006-2010 to 2011-2015. During the same period MHV increased by 1.0 percent in Indiana. Median gross rent changes followed the same pattern, with Western averaging a growth of 9.0 percent between 2006-2010 and 2011-2015 and Indiana growing by 9.1 percent during the same period. Pulaski County is an outlier, with median housing value declining by 5.0 percent and median gross rent rising by 16.6 percent during the period. This demonstrates the importance of affordable rental housing to Pulaski County.

The table below presents trends in housing costs between 2006-2010 and 2011-2015 in the assessment area and Indiana.

Trends in Housing Costs 2006-2010 and 2011-2015				
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)
Fulton County	93,900	95,400	621	616
Kosciusko County	134,600	132,900	667	714
Marshall County	123,400	123,100	620	674
Pulaski County	97,900	93,000	584	681
Starke County	98,200	96,900	598	679
State of Indiana	123,000	124,200	683	745
<i>Source: 2006-2010 – U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>				

Employment Characteristics

Unemployment rates are consistent in Western, on average, and in Indiana. Both geographical areas had rates of 4.4 percent in 2016. Unemployment was highest in Starke County, at 5.4 percent that year, down from 9.1 percent in 2013. Community representatives mention that Starke County is at distance from urban centers, making commuting for work difficult. Moreover, workforce development programs are in great need throughout Western, impacting employability for the jobs that do exist.

The table below presents unemployment rates between 2013 and 2016 in the assessment area and Indiana.

Unemployment Rates (%)				
2013 to 2016				
Region	2013	2014	2015	2016
Fulton County	8.2	6.3	4.8	4.7
Kosciusko County	6.2	4.9	4.1	3.7
Marshall County	7.8	5.6	4.2	3.8
Pulaski County	6.3	5.5	4.5	4.6
Starke County	9.1	7.4	5.9	5.4
State of Indiana	7.5	6.0	4.8	4.4
<i>Source: U.S. Bureau of Labor Statistics</i>				

Major Employers

Despite its rural location, Western has a number of large employers, most of which are in Kosciusko County. The manufacturing industry is heavily represented, employing over 10,000 individuals. Among these are orthopedic prosthetic manufacturers, printer manufacturers and farm equipment manufacturers. The assessment area’s largest employers also include filling stations and farm equipment wholesalers.

The table below presents the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Zimmer Biomet Holdings, Inc.	5,000	Orthopedic Prosthetic Manufacturers
Ferrellgas	3,908	Gas-Propane Refilling Stations
LSC Communications	1,700	Printers Manufacture
CTB, Inc.	1,300	Farm Equipment Manufacturers
Biomet Manufacturing Corp	1,300	Orthopedic Prosthetic Manufacturers
DePuy Synthesis Orthopedics	837	Orthopedic Prosthetic Manufacturers
Chore-Time Equipment	800	Farm Equipment Wholesalers
<i>Source: InfoUSA</i>		

Community Representatives

Three community representatives were contacted to provide information about local housing, employment and other economic conditions. All represented economic development organizations. Representatives indicated that housing, in general, was a major assessment area need, both single family housing and rental housing, though Pulaski and Starke Counties had sufficient housing. Representatives also noted that workforce development programs were vital to meeting the needs of both employers and the assessment area’s unemployed. Jobs exist but many individuals are unqualified for the available work. Many younger residents are leaving the assessment area’s rural communities looking for better employment opportunities, culture and recreation. Often times this means a move to Kosciusko County, the portion of Western providing the most of these amenities. Despite challenges to lending local banks excel at both small business

and HMDA-reportable.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NON MSA IN WESTERN

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration throughout the assessment area. 1st Source's 2016 HMDA-reportable lending outperformed the aggregate of lenders with respect to moderate-income census tracts. It made 8.1 percent of such loans, by number, in these census tracts while the aggregate of lenders made only 6.7 percent of such loans, by number there. The bank also performed above the 6.6 percent demographic of owner-occupied housing in moderate-income census tracts.

Small business lending was equally strong in 2016. The bank made 14.0 percent of these loans, by number in moderate-income census tracts, more than the aggregate of lenders, which made 12.1 percent of its small business loans in these census tracts. 1st Source's performance was comparable to the 14.5 percent demographic of businesses located in moderate-income census tracts.

The dispersion of 1st Source's loans throughout the assessment area was excellent. In 2016, it made loans to 100.0 percent of the census tracts in its assessment area. This is particularly responsive given the challenges to lending in Fulton, Pulaski and Starke Counties. 1st Source's dispersion reveals that it serves the entire assessment area's home mortgage and small business needs, regardless of location, community, income-level or ease of lending.

HMDA-Reportable Lending

Home Purchase Loans

The bank made 7.6 percent of its home purchase loans, by number, in moderate-income census tracts, comparable to the aggregate of lenders which made 7.4 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in moderate-income census tracts is 6.6 percent.

The bank made 65.2 percent of its home purchase loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 67.7 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in middle-income census tracts is 73.6 percent.

The bank made 27.3 percent of its home purchase loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 24.7 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in upper-

income census tracts is 19.8 percent.

Refinance Loans

The bank made 4.7 percent of its refinance loans, by number, in moderate-income census tracts, less than the aggregate of lenders which made 5.0 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in moderate-income census tracts is 6.6 percent.

The bank made 71.8 percent of its refinance loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 73.6 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in middle-income census tracts is 73.6 percent.

The bank made 23.5 percent of its refinance loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 21.3 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in upper-income census tracts is 19.8 percent.

Home Improvement Loans

The bank made 11.1 percent of its home improvement loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 7.0 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in moderate-income census tracts is 6.6 percent.

The bank made 73.1 percent of its home improvement loans, by number, in middle-income census tracts, more than the aggregate of lenders which made 70.7 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in middle-income census tracts is 73.6 percent.

The bank made 15.7 percent of its home improvement loans, by number, in upper-income census tracts, less than the aggregate of lenders which made 22.3 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing located in upper-income census tracts is 19.8 percent.

The table below presents the geographic distribution of HMDA-reportable loans in the assessment area in 2016.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Western IN Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016			Dollar			
		Count		Agg	Bank		Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	5	7.6	7.4	351	3.7	4.2	6.6
	Middle	43	65.2	67.7	5,544	58.6	67.4	73.6
	Upper	18	27.3	24.7	3,568	37.7	28.3	19.8
	Unknown	0	0.0	0.1	0	0.0	0.1	0.0
	Total	66	100.0	100.0	9,463	100.0	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	4	4.7	5.0	499	3.8	2.4	6.6
	Middle	61	71.8	73.6	10,186	77.5	64.1	73.6
	Upper	20	23.5	21.3	2,466	18.8	33.5	19.8
	Unknown	0	0.0	0.1	0	0.0	0.0	0.0
	Total	85	100.0	100.0	13,151	100.0	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	12	11.1	7.0	78	3.0	3.3	6.6
	Middle	79	73.1	70.7	1,832	70.3	67.3	73.6
	Upper	17	15.7	22.3	697	26.7	29.4	19.8
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	108	100.0	100.0	2,607	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	33.3	0	0.0	7.6	22.7
	Middle	0	0.0	55.6	0	0.0	88.8	63.8
	Upper	0	0.0	11.1	0	0.0	3.6	13.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	21	8.1	6.7	928	3.7	3.5	6.6
	Middle	183	70.7	70.0	17,562	69.6	66.3	73.6
	Upper	55	21.2	23.3	6,731	26.7	30.1	19.8
	Unknown	0	0.0	0.1	0	0.0	0.1	0.0
	Total	259	100.0	100.0	25,221	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

1st Source made 14.0 percent of its small business loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 12.1 percent of these loans, by number in these census tracts. The percentage of total assessment area businesses located in moderate-income census tracts is 14.5 percent.

1st Source made 63.4 percent of its small business loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 67.0 percent of these loans, by number in these census tracts. The percentage of total assessment area businesses located in middle-income census tracts is 67.4 percent.

1st Source made 22.6 percent of its small business loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 18.6 percent of these loans, by number in these census tracts. The percentage of total assessment area businesses located in upper-income census tracts is 18.1 percent.

The table below presents the geographic distribution of small business loans in the assessment area in 2016.

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Western IN Non MSA								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg	Dollar		Agg	
		Bank	%	%	Bank	\$ %	\$ %	%
		#	%	%	\$ (000s)	\$ %	\$ %	%
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	34	14.0	12.1	3,800	12.8	14.0	14.5
	Middle	154	63.4	67.0	18,071	60.8	66.7	67.4
	Upper	55	22.6	18.6	7,847	26.4	18.8	18.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			2.2			0.6	
	Total	243	100.0	100.0	29,718	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes. In 2016, the bank made nearly twice as many HMDA-reportable loans to low-income borrowers as did the aggregate of lenders, 13.5 percent, by number, compared to 7.0 percent, by number. Neither the bank nor the aggregate of lenders reached Western's 17.5 percent demographic of low-income families. However, given the elevated levels of poverty across the assessment area, and particularly in Pulaski (14.4 percent) and Starke (15.4 percent) Counties, the bank's performance demonstrates substantial responsiveness to the needs of low-income individuals.

1st Source's HMDA-reportable lending to moderate-income borrowers was also strong, though not to the extent of its performance with low-income borrowers. It made 17.4 percent of such loans, by number, to these borrowers while the aggregate of lenders made a higher 20.6 percent of its HMDA-reportable loans, by number, to moderate-income borrowers, which comprise 18.7 percent of assessment area families. The bank's proximity to the aggregate of lenders' performance and the demographic demonstrate strong responsiveness to the needs of assessment area moderate-income individuals.

The bank made 59.6 percent of its small business loans, by number, to firms reporting annual revenues of \$1 million or less in 2016. While the bank did not approach the 89.9 percent demographic of such firms operating in the assessment area, it outperformed the aggregate of lenders, which made only 47.9 percent of its small business loans, by number, to firms reporting annual revenues of \$1 million or less, demonstrating the bank's responsiveness to small business needs. Moreover, 82.6 percent of loans, by number, that 1st Source made to these firms were in amounts of \$100,000 or less, often deemed most responsive to smaller businesses.

HMDA-Reportable Lending

Home Purchase Loans

The bank made 7.6 percent of its home purchase loans, by number, to low-income borrowers, more than the aggregate of lenders which made 6.5 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 19.7 percent of its home purchase loans, by number, to moderate-income borrowers, less than the aggregate of lenders which made 24.6 percent of such loans, by number, to these borrowers. Moderate-income families represent 18.7 percent of assessment area families.

The bank made 21.2 percent of its home purchase loans, by number, to middle-income borrowers, less than the aggregate of lenders which made 25.0 percent of such loans, by number, to these borrowers. Middle-income families represent 23.7 percent of assessment area families.

The bank made 42.4 percent of its home purchase loans, by number, to upper-income borrowers, more than the aggregate of lenders which made 31.9 percent of such loans, by number, to these borrowers. Upper-income families represent 40.0 percent of assessment area families.

The bank made 9.1 percent of its home purchase loans, by number, to borrowers of unknown income, less than the aggregate of lenders which made 12.0 percent of such loans, by number, to these borrowers.

Refinance Loans

The bank made 15.3 percent of its refinance loans, by number, to low-income borrowers, more than the aggregate of lenders which made 6.5 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 14.1 percent of its refinance loans, by number, to moderate-income borrowers, less than the aggregate of lenders which made 15.0 percent of such loans, by number, to these borrowers. Moderate-income families represent 18.7 percent of assessment area families.

The bank made 17.6 percent of its refinance loans, by number, to middle-income borrowers, less than the aggregate of lenders which made 18.7 percent of such loans, by number, to these borrowers. Middle-income families represent 23.7 percent of assessment area families.

The bank made 45.9 percent of its refinance loans, by number, to upper-income borrowers, more than the aggregate of lenders which made 38.2 percent of such loans, by number, to these borrowers. Upper-income families represent 40.0 percent of assessment area families.

The bank made 7.1 percent of its refinance loans, by number, to borrowers of unknown income, less than the aggregate of lenders which made 21.5 percent of such loans, by number, to these borrowers.

Home Improvement Loans

The bank made 15.7 percent of its home improvement loans, by number, to low-income borrowers, more than the aggregate of lenders which made 9.8 percent of such loans, by number, to these borrowers. Low-income families represent 17.8 percent of assessment area families.

The bank made 18.5 percent of its home improvement loans, by number, to moderate-income borrowers, comparable to the aggregate of lenders which made 18.4 percent of such loans, by number, to these borrowers. Moderate-income families represent 18.7 percent of assessment area families.

The bank made 25.0 percent of its home improvement loans, by number, to middle-income borrowers, less than the aggregate of lenders which made 26.0 percent of such loans, by number, to these borrowers. Middle-income families represent 23.7 percent of assessment area families.

The bank made 33.3 percent of its home improvement loans, by number, to upper-income borrowers, less than the aggregate of lenders which made 42.8 percent of such loans, by number, to these borrowers. Upper-income families represent 40.0 percent of assessment area families.

The bank made 7.4 percent of its home improvement loans, by number, to borrowers of unknown income, more than the aggregate of lenders which made 3.1 percent of such loans, by number, to these borrowers.

The table below presents the borrower distribution of HMDA-reportable loans in the assessment area in 2016.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Western IN Non MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	5	7.6	6.5	339	3.6	3.4	17.5
	Moderate	13	19.7	24.6	1,087	11.5	17.2	18.7
	Middle	14	21.2	25.0	1,666	17.6	22.3	23.7
	Upper	28	42.4	31.9	5,757	60.8	45.6	40.0
	Unknown	6	9.1	12.0	614	6.5	11.5	0.0
	Total		66	100.0	100.0	9,463	100.0	100.0
Refinance	Low	13	15.3	6.5	823	6.3	2.8	17.5
	Moderate	12	14.1	15.0	1,589	12.1	8.7	18.7
	Middle	15	17.6	18.7	1,741	13.2	13.1	23.7
	Upper	39	45.9	38.2	8,028	61.0	46.7	40.0
	Unknown	6	7.1	21.5	970	7.4	28.7	0.0
	Total		85	100.0	100.0	13,151	100.0	100.0
Home Improvement	Low	17	15.7	9.8	59	2.3	3.8	17.5
	Moderate	20	18.5	18.4	449	17.2	11.2	18.7
	Middle	27	25.0	26.0	548	21.0	20.8	23.7
	Upper	36	33.3	42.8	1,435	55.0	61.4	40.0
	Unknown	8	7.4	3.1	116	4.4	2.8	0.0
	Total		108	100.0	100.0	2,607	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	17.5
	Moderate	0	0.0	0.0	0	0.0	0.0	18.7
	Middle	0	0.0	0.0	0	0.0	0.0	23.7
	Upper	0	0.0	0.0	0	0.0	0.0	40.0
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	35	13.5	7.0	1,221	4.8	3.2	17.5
	Moderate	45	17.4	20.6	3,125	12.4	13.4	18.7
	Middle	56	21.6	23.2	3,955	15.7	18.7	23.7
	Upper	103	39.8	35.5	15,220	60.3	47.4	40.0
	Unknown	20	7.7	13.7	1,700	6.7	17.3	0.0
	Total		259	100.0	100.0	25,221	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

1st Source made 59.3 percent of its small business loans, by number, to firms reporting annual revenues of \$1 million or less, more than the aggregate of lenders which made 47.9 percent of such loans, by number, to these borrowers. They represent 89.9 percent of assessment area businesses.

1st Source made 40.7 percent of its small business loans, by number, to firms reporting annual revenues of more than \$1 million, less than the aggregate of lenders which made 52.1 percent of such loans, by number, to these borrowers. They represent 10.1 percent of assessment area businesses.

The table below presents the borrower distribution of small business loans in the assessment area in 2016.

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Western IN Non MSA									
Product Type		Bank & Aggregate Lending Comparison							
		Count		2016 Dollar				Total Businesses	
		Bank	Agg	Bank		Agg			
#	%	%	\$ 000s	\$ %	\$ %	%			
Small Business	Revenue	\$1 Million or Less	144	59.3	47.9	10,075	33.9	37.6	89.9
		Over \$1 Million or Unknown	99	40.7	52.1	19,643	66.1	62.4	10.1
		Total	243	100.0	100.0	29,718	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	170	70.0	89.9	6,986	23.5	30.9	
		\$100,001 - \$250,000	36	14.8	5.0	6,275	21.1	17.4	
		\$250,001 - \$1 Million	37	15.2	5.1	16,457	55.4	51.7	
		Total	243	100.0	100.0	29,718	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	119	82.6		4,060	40.3		
		\$100,001 - \$250,000	16	11.1		2,737	27.2		
		\$250,001 - \$1 Million	9	6.3		3,278	32.5		
Total		144	100.0		10,075	100.0			
Originations & Purchases									
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Community Development Lending

The bank makes a relatively high level of community development loans. 1st Source made 11 loans worth \$12.9 million during the review period, a substantial increase from the previous review period during which time it made seven loans worth \$7.3 million. While dollars loaned represents strong performance, all loans were made in Marshall and Kosciusko Counties, the two most economically prosperous counties in the assessment area. Exclusion of Pulaski, Fulton and Starke Counties, given that opportunities to lend exist there, mitigates the bank's level of responsiveness

in CD lending.

The table below presents the bank’s community development loans in the assessment area during the review period.

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan Indiana- West	1	91	1	210	1	5,100	8	7,593	11	12,994	100.0

INVESTMENT TEST

1st Source Bank made an adequate level of qualified CD investments and grants, it made rare use of innovative and complex investments to support community development initiatives and it exhibits adequate responsiveness to community credit and CD needs.

The bank made \$396,000 of new affordable housing investments, and maintained prior period affordable housing investments of \$1.8 million. The current performance represents a decrease in investment activity since the previous evaluation during which time the bank made \$1.1 million in new investments and maintained \$1.6 million in prior period investments. Moreover, the economy has recovered further and more opportunity for investment exists in Western as of the present evaluation. While the performance contexts differ, reasonable investment opportunity exists in both areas. Consequently, the bank’s performance in Western is adequate.

The bank donated an additional \$204,000 to community development initiatives during the review period. It outperformed its donations during the previous review period when it made donations worth \$179,000 to the assessment area.

The bank does not use of innovative and complex investments to support community development initiatives. During the review period it made only traditional investments in the assessment area.

1st Source exhibits adequate responsiveness to credit and community development needs. Community representatives stressed the need for area housing, to which 1st Source responded through affordable housing mortgage backed securities. The bank also supported a number of Chambers of Commerce through its donations, furthering small business development across the assessment area.

The tables below present community development investments and donations in the assessment area during the review period.

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan Indiana- West	8*	2,241	0	0	0	0	0	0	8	2,241	100.0

*Number of mortgage backed securities that contained assessment area loans

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan Indiana- West	0	0	25	29	0	0	46	175	71	204	100.0

SERVICE TEST

1st Source’s delivery systems are readily accessible to the bank’s geographies and individuals of different income levels in the assessment area. The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly LMI geographies and individuals. Services are tailored to the convenience and needs of the bank’s assessment area, particularly LMI geographies and individuals, and the bank is a leader in providing community development services to the assessment area.

Retail Services

Delivery systems are readily accessible to portions of the bank’s assessment area. The bank maintains branches throughout the assessment area, providing access to all who live in each county. It has three branches in moderate-income census tracts, and has branches in the vicinity of each moderate-income census tract where no branch exists. One example of such is a branch in middle-income census tract 204.00 in Marshall County. The census tract is adjacent to the county’s sole moderate-income census tract, 205.00, providing access to those who live and work there.

The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. The bank did not open or close branches in Western during the review period. It did relocate a branch within the same moderate-income census tract.

Services are tailored to the convenience and needs of the bank’s assessment area, particularly LMI geographies and individuals. Eight of nine branches in Western operate with extended hours beyond 9am to 5pm on weekdays, including all three branches in moderate-income census tracts. Branches offer Saturday and drive thru services, as well as early morning and late evening services.

Community Development Services

The bank is a leader in providing community development services in Western. 1st Source staff provided 1,005 hours of services across the assessment area during the review period, up a substantial 30.4 percent from the previous evaluation during which time they provided 771 hours of such service. The bank served organizations addressing financial literacy, affordable housing and small business development, all responsive to assessment area needs. Of particular significance, 1st Source served the different needs of all five counties in its assessment area, of excellent responsiveness.

The table below presents the bank’s community development services in the assessment area during the review period.

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Non Metropolitan Indiana- West	41	100	0	864	1,005	100.0

FORT WAYNE, IN MSA # 23060- Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Fort Wayne, IN MSA #23060 (Ft. Wayne MSA) received a limited-scope review. The scope of examination consisted of a consideration of whether the bank's performance in this assessment area was above, below or consistent with its performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE FORT WAYNE MSA

The bank delineates the entirety of the Ft. Wayne MSA as its assessment area. The demographic breakdown of the assessment area is as follows: 13 low-income census tracts, 30 moderate-income census tracts, 41 middle-income census tracts, 25 upper-income census tracts, and one census tract of unknown income. The one census tract of unknown-income is part of the Purdue University campus.

The bank maintains 10 branches, each with full service ATMs, in the assessment area. There are three branches each located in moderate-income census tracts, middle-income census tracts, and upper-income census tracts, and there is one branch located in the census tract of unknown-income. The bank consolidated its middle-income Covington Plaza branch, with another middle-income branch during the review period. No branches or ATMs were opened or closed.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks eighth of 26 institutions serving the market, with 4.6 percent of the area's deposit market share. Market leader Wells Fargo holds a substantial 24.7 percent of deposits. In addition, seventh and sixth place depository institutions hold 6.7 and 6.4 percent of area deposits, respectively. The data indicates that the bank is operating amid a high level of competition.

1st Source ranks 23rd among 295 HMDA reporters serving the MSA in 2016. It made 135 loans, far fewer than market leaders Ruoff Mortgage Company, which made 1,810 loans and Wells Fargo Bank, NA, which made 1,606 loans in the assessment area that year. But only the top six lenders made more than 500 HMDA-reportable loans each, demonstrating a competitive lending environment in addition to a competitive deposit environment. The bank ranks ninth of 85 CRA reporters serving the MSA, having made 276 such loans in 2016. Only the top five lenders made 500 or more CRA reportable loans in 2016, further demonstrating vast competition among the remaining institutions.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Fort Wayne, IN MSA 23060

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	13	11.8	7,141	6.7	2,499	35.0	20,355	19.1
Moderate-income	30	27.3	23,645	22.2	3,603	15.2	19,886	18.6
Middle-income	41	37.3	43,782	41.0	2,378	5.4	24,785	23.2
Upper-income	25	22.7	32,169	30.1	661	2.1	41,711	39.1
Unknown-income	1	0.9	0	0.0	0	0.0	0	0.0
Total Assessment Area	110	100.0	106,737	100.0	9,141	8.6	106,737	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	15,659	5,298	4.6	33.8	6,678	42.6	3,683	23.5
Moderate-income	49,147	22,929	19.9	46.7	19,739	40.2	6,479	13.2
Middle-income	69,590	50,714	44.0	72.9	13,601	19.5	5,275	7.6
Upper-income	42,822	36,359	31.5	84.9	4,388	10.2	2,075	4.8
Unknown-income	75	0	0.0	0.0	75	100.0	0	0.0
Total Assessment Area	177,293	115,300	100.0	65.0	44,481	25.1	17,512	9.9
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1,448	8.6	1,175	7.9	266	14.7	7	4.0
Moderate-income	3,822	22.7	3,262	22.0	514	28.4	46	26.3
Middle-income	6,495	38.6	5,739	38.7	693	38.3	63	36.0
Upper-income	4,995	29.7	4,605	31.1	331	18.3	59	33.7
Unknown-income	47	0.3	40	0.3	7	0.4	0	0.0
Total Assessment Area	16,807	100.0	14,821	100.0	1,811	100.0	175	100.0
	Percentage of Total Businesses:			88.2		10.8		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1	0.1	1	0.1	0	0.0	0	0.0
Moderate-income	23	3.1	23	3.1	0	0.0	0	0.0
Middle-income	474	64.1	467	63.9	7	77.8	0	0.0
Upper-income	242	32.7	240	32.8	2	22.2	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	740	100.0	731	100.0	9	100.0	0	0.0
	Percentage of Total Farms:			98.8		1.2		0.0

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance was below the overall rating with respect to lending, consistent with the overall rating relative to investments and consistent with the overall rating with respect to services. It did not perform as well in the Ft. Wayne MSA relative to geographic distribution, responsiveness to low-income individuals and very small businesses or community development lending.

Assessment Area	Lending Test	Investment Test	Service Test
Ft. Wayne, IN MSA #23060	Below	Consistent	Consistent

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Fort Wayne, IN MSA 23060								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016			2016			
		Count		Agg	Dollar		Agg	
		Bank			Bank			
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	1.2	0	0.0	0.5	4.6
	Moderate	7	13.5	14.8	465	5.6	8.8	19.9
	Middle	24	46.2	43.0	3,375	40.6	36.3	44.0
	Upper	21	40.4	41.0	4,480	53.8	54.4	31.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		52	100.0	100.0	8,320	100.0	100.0
Refinance	Low	0	0.0	1.0	0	0.0	1.1	4.6
	Moderate	5	10.0	12.3	348	4.0	7.6	19.9
	Middle	21	42.0	42.4	2,475	28.3	36.3	44.0
	Upper	24	48.0	44.3	5,925	67.7	55.0	31.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		50	100.0	100.0	8,748	100.0	100.0
Home Improvement	Low	0	0.0	3.2	0	0.0	0.9	4.6
	Moderate	4	12.1	17.5	19	2.0	9.9	19.9
	Middle	20	60.6	45.1	501	52.7	41.7	44.0
	Upper	9	27.3	34.0	430	45.3	47.5	31.5
	Unknown	0	0.0	0.1	0	0.0	0.0	0.0
	Total		33	100.0	100.0	950	100.0	100.0
Multi-Family	Low	0	0.0	5.3	0	0.0	10.5	9.9
	Moderate	0	0.0	36.8	0	0.0	41.5	53.6
	Middle	0	0.0	42.1	0	0.0	6.3	25.7
	Upper	0	0.0	15.8	0	0.0	41.8	10.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.2
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	1.3	0	0.0	1.0	4.6
	Moderate	16	11.9	14.1	832	4.6	9.2	19.9
	Middle	65	48.1	42.9	6,351	35.2	35.7	44.0
	Upper	54	40.0	41.7	10,835	60.1	54.1	31.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		135	100.0	100.0	18,018	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Fort Wayne, IN MSA 23060								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$ (000s)	\$ %					
Small Business	Low	30	11.9	8.2	4,551	15.4	11.5	8.6
	Moderate	55	21.7	20.7	6,571	22.2	22.4	22.7
	Middle	109	43.1	37.4	11,130	37.6	37.5	38.6
	Upper	59	23.3	32.2	7,318	24.7	28.0	29.7
	Unknown	0	0.0	0.3	0	0.0	0.3	0.3
	Tr Unknown			1.2			0.4	
	Total		253	100.0	100.0	29,570	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Fort Wayne, IN MSA 23060								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	8	15.4	9.4	621	7.5	5.1	19.1
	Moderate	14	26.9	21.7	1,166	14.0	15.7	18.6
	Middle	5	9.6	20.7	528	6.3	19.7	23.2
	Upper	22	42.3	31.0	4,959	59.6	45.1	39.1
	Unknown	3	5.8	17.1	1,046	12.6	14.5	0.0
	Total		52	100.0	100.0	8,320	100.0	100.0
Refinance	Low	4	8.0	5.9	208	2.4	3.0	19.1
	Moderate	6	12.0	14.1	537	6.1	9.3	18.6
	Middle	15	30.0	18.9	1,938	22.2	15.3	23.2
	Upper	20	40.0	38.9	3,960	45.3	49.3	39.1
	Unknown	5	10.0	22.2	2,105	24.1	23.2	0.0
	Total		50	100.0	100.0	8,748	100.0	100.0
Home Improvement	Low	5	15.2	7.6	84	8.8	3.4	19.1
	Moderate	5	15.2	22.7	25	2.6	13.6	18.6
	Middle	9	27.3	23.0	359	37.8	18.6	23.2
	Upper	12	36.4	42.8	423	44.5	59.5	39.1
	Unknown	2	6.1	4.0	59	6.2	4.8	0.0
	Total		33	100.0	100.0	950	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	19.1
	Moderate	0	0.0	0.0	0	0.0	0.0	18.6
	Middle	0	0.0	0.0	0	0.0	0.0	23.2
	Upper	0	0.0	0.0	0	0.0	0.0	39.1
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	17	12.6	8.1	913	5.1	4.2	19.1
	Moderate	25	18.5	19.1	1,728	9.6	13.0	18.6
	Middle	29	21.5	20.2	2,825	15.7	17.7	23.2
	Upper	54	40.0	34.4	9,342	51.8	45.9	39.1
	Unknown	10	7.4	18.2	3,210	17.8	19.2	0.0
	Total		135	100.0	100.0	18,018	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Fort Wayne, IN MSA 23060									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		Bank		Agg	Bank		Agg		
#	%	%	\$ 000s	\$ %	\$ %	%			
Small Business	Revenue	\$1 Million or Less	114	45.1	41.0	7,993	27.0	29.1	88.2
		Over \$1 Million or Unknown	139	54.9	59.0	21,577	73.0	70.9	11.8
		Total	253	100.0	100.0	29,570	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	180	71.1	89.6	8,545	28.9	30.3	
		\$100,001 - \$250,000	47	18.6	5.1	8,098	27.4	16.8	
		\$250,001 - \$1 Million	26	10.3	5.3	12,927	43.7	52.9	
		Total	253	100.0	100.0	29,570	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	94	82.5		3,746	46.9		
		\$100,001 - \$250,000	15	13.2		2,182	27.3		
		\$250,001 - \$1 Million	5	4.4		2,065	25.8		
		Total	114	100.0		7,993	100.0		

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Ft. Wayne, IN MSA #23060	1	2,500	3	2,700	7	14,950	6	1,282	17	21,432	100.0

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Ft. Wayne, IN MSA #23060	62	19,207	0	0	0	0	0	0	62	19,207	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Ft. Wayne, IN MSA #23060	1	0.3	13	18	0	0	22	95	36	113	100.0

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Ft. Wayne, IN MSA #23060	52	71	0	844	967	100.0

GARY, IN MD #23844- Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Gary, IN MD #23844 (Gary MD) received a limited-scope review. The scope of examination consisted of a consideration of whether the bank's performance in this assessment area was above, below or consistent with its performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GARY, IN MD

The bank delineates Porter County in the Gary, IN MD as its assessment area, excluding Jasper, Lake and Newton Counties, also in the MD. The demographic breakdown of the assessment area is as follows: zero low-income census tracts, three moderate-income census tracts, 18 middle-income census tracts, nine upper-income census tracts and three census tracts of unknown-income. One of these latter census tracts (9900) is comprised entirely of Lake Michigan while the second and third of these latter census tracts (9800.01 and 9800.02) are comprised of Lake Michigan, woodlands and vast industrial parks.

The bank maintains 10 branches with nine full service ATMs in the assessment area. Two branches are located in moderate-income census tracts, and eight branches are located in middle income census tracts. The bank consolidated two branches and two ATMs within middle-income census tracts in the cities of Hebron and Chesterton during the review period. It neither opened nor closed any branches.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks third of 13 institutions serving the market, with 20.2 percent of the area's deposit market share. Market leader Centier Bank holds a slightly higher 23.4 percent of deposits, while the number two institution, JP Morgan Chase, NA holds 21.1 percent of the market. In this context, 1st Source's position is one of leadership among deposit taking institutions in the Gary MD.

1st Source ranks 14th of 306 HMDA reporters serving the MD in 2016. It made 114 loans that year, far fewer than first place lender Wells Fargo, which made 700 loans in the assessment area. However, 1st Source's HMDA lending position is strong as only the top seven lenders made more than 200 such loans in 2016. With respect to CRA loans, the bank ranks fifth of 69 CRA reporters serving the MD in 2016, having made 135 such loans there. Only the top six banks made over 100 CRA-reportable loans in 2016 further supporting the bank's position as a market leader.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Gary, IN MD 23844								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	6,869	16.1
Moderate-income	3	9.1	2,863	6.7	507	17.7	6,251	14.6
Middle-income	18	54.5	25,455	59.5	1,718	6.7	9,188	21.5
Upper-income	9	27.3	14,442	33.8	595	4.1	20,455	47.8
Unknown-income	3	9.1	3	0.0	0	0.0	0	0.0
Total Assessment Area	33	100.0	42,763	100.0	2,820	6.6	42,763	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	5,257	3,147	6.6	59.9	1,643	31.3	467	8.9
Middle-income	40,226	27,898	58.3	69.4	10,031	24.9	2,297	5.7
Upper-income	20,121	16,785	35.1	83.4	1,863	9.3	1,473	7.3
Unknown-income	3	3	0.0	100.0	0	0.0	0	0.0
Total Assessment Area	65,607	47,833	100.0	72.9	13,537	20.6	4,237	6.5
	Total Businesses Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	612	9.0	515	8.3	86	16.8	11	14.5
Middle-income	4,001	58.8	3,678	59.1	285	55.8	38	50.0
Upper-income	2,177	32.0	2,017	32.4	133	26.0	27	35.5
Unknown-income	20	0.3	13	0.2	7	1.4	0	0.0
Total Assessment Area	6,810	100.0	6,223	100.0	511	100.0	76	100.0
	Percentage of Total Businesses:			91.4		7.5		1.1
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	4	2.2	4	2.3	0	0.0	0	0.0
Middle-income	134	75.3	132	75.0	2	100.0	0	0.0
Upper-income	40	22.5	40	22.7	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	178	100.0	176	100.0	2	100.0	0	0.0
	Percentage of Total Farms:			98.9		1.1		0.0
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance in the Gary, IN MD was consistent with the overall rating with respect to lending, investments and services.

Assessment Area	Lending Test	Investment Test	Service Test
Gary, IN MD #23844	Consistent	Consistent	Consistent

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Gary, IN MD 23844								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar		Agg		
		Bank	Agg	Bank	Agg	Bank	Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	2.6	4.5	149	2.5	3.4	6.6
	Middle	26	68.4	58.4	3,841	65.2	50.7	58.3
	Upper	11	28.9	37.1	1,899	32.2	45.9	35.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		38	100.0	100.0	5,889	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	2.3	4.6	127	2.0	3.5	6.6
	Middle	28	65.1	53.5	3,774	58.1	45.6	58.3
	Upper	14	32.6	41.9	2,598	40.0	51.0	35.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		43	100.0	100.0	6,499	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	3.0	3.3	4	0.2	1.9	6.6
	Middle	21	63.6	57.5	994	46.6	49.0	58.3
	Upper	11	33.3	39.1	1,137	53.3	49.1	35.1
	Unknown	0	0.0	0.2	0	0.0	0.0	0.0
	Total		33	100.0	100.0	2,135	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	10.3
	Middle	0	0.0	34.5	0	0.0	66.9	78.8
	Upper	0	0.0	65.5	0	0.0	33.1	10.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	3	2.6	4.4	280	1.9	3.2	6.6
	Middle	75	65.8	56.3	8,609	59.3	49.4	58.3
	Upper	36	31.6	39.3	5,634	38.8	47.4	35.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		114	100.0	100.0	14,523	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Gary, IN MD 23844								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016						
		Count		Agg	Dollar		Agg	
		Bank	Agg	Bank	Agg			
		#	%	%	\$ (000s)	\$ %	\$ %	%
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	15	13.9	10.9	3,028	21.3	19.7	9.0
	Middle	75	69.4	54.9	8,861	62.4	56.2	58.8
	Upper	18	16.7	32.7	2,310	16.3	23.4	32.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.3
	Tr Unknown			1.5			0.7	
	Total		108	100.0	100.0	14,199	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Gary, IN MD 23844								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Bank \$ %	Agg \$ %	
Home Purchase	Low	0	0.0	4.1	0	0.0	2.2	16.1
	Moderate	6	15.8	18.2	715	12.1	13.0	14.6
	Middle	11	28.9	24.4	1,667	28.3	21.8	21.5
	Upper	18	47.4	36.7	3,198	54.3	47.8	47.8
	Unknown	3	7.9	16.6	309	5.2	15.2	0.0
	Total		38	100.0	100.0	5,889	100.0	100.0
Refinance	Low	1	2.3	4.3	29	0.4	2.3	16.1
	Moderate	9	20.9	11.4	1,091	16.8	8.0	14.6
	Middle	13	30.2	17.7	1,750	26.9	14.6	21.5
	Upper	20	46.5	41.2	3,629	55.8	50.9	47.8
	Unknown	0	0.0	25.4	0	0.0	24.2	0.0
	Total		43	100.0	100.0	6,499	100.0	100.0
Home Improvement	Low	4	12.1	7.0	174	8.1	3.8	16.1
	Moderate	6	18.2	14.9	123	5.8	9.6	14.6
	Middle	11	33.3	23.3	653	30.6	21.1	21.5
	Upper	12	36.4	48.5	1,185	55.5	57.3	47.8
	Unknown	0	0.0	6.3	0	0.0	8.1	0.0
	Total		33	100.0	100.0	2,135	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	16.1
	Moderate	0	0.0	0.0	0	0.0	0.0	14.6
	Middle	0	0.0	0.0	0	0.0	0.0	21.5
	Upper	0	0.0	0.0	0	0.0	0.0	47.8
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	5	4.4	4.3	203	1.4	2.2	16.1
	Moderate	21	18.4	15.1	1,929	13.3	10.3	14.6
	Middle	35	30.7	21.5	4,070	28.0	17.9	21.5
	Upper	50	43.9	39.2	8,012	55.2	47.1	47.8
	Unknown	3	2.6	19.8	309	2.1	22.5	0.0
	Total		114	100.0	100.0	14,523	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Gary, IN MD 23844									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		#	%	Agg %	2016		Agg %		
Bank	Bank				Agg	Total			
		#	%	%	\$ 000s	\$ %	\$ %	%	
Small Business	Revenue	\$1 Million or Less	54	50.0	39.2	6,776	47.7	36.2	91.4
		Over \$1 Million or Unknown	54	50.0	60.8	7,423	52.3	63.8	8.6
		Total	108	100.0	100.0	14,199	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	71	65.7	92.4	3,490	24.6	33.5	
		\$100,001 - \$250,000	25	23.1	3.5	4,476	31.5	14.5	
		\$250,001 - \$1 Million	12	11.1	4.1	6,233	43.9	52.1	
		Total	108	100.0	100.0	14,199	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	39	72.2		1,785	26.3		
		\$100,001 - \$250,000	10	18.5		1,942	28.7		
		\$250,001 - \$1 Million	5	9.3		3,049	45.0		
		Total	54	100.0		6,776	100.0		

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Gary, IN MD #23844	5	4,294	0	0	0	0	6	10,060	10	14,354	100.0

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Gary, IN MD #23844	28	11,674	0	0	0	0	1	580	29	12,254	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Gary, IN MD #23844	3	16	19	19	0	0	31	55	53	91	100.0

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Gary, IN MD #23844	57	189	0	664	910	100.0

LAFAYETTE – WEST LAFAYETTE, IN MSA # 29200- Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Lafayette – West Lafayette IN MSA #29200 (Lafayette MSA) received a limited-scope review. The scope of examination consisted of a consideration of whether the bank's performance in this assessment area was above, below or consistent with its performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LAFAYETTE MSA

The bank delineates Tippecanoe County in the Lafayette MSA as its assessment area. The demographic breakdown of the assessment area is as follows: three low-income census tracts, 12 moderate-income census tracts, 14 middle-income census tracts, six upper-income census tracts, and two census tracts of unknown income. The two census tracts of unknown income are part of the Purdue University campus.

The bank maintains three branches in the Lafayette MSA, two with ATMs, and one without an ATM. There is one branch each located in low, moderate, and upper-income census tracts. The bank neither opened nor closed branches or ATMs in the Lafayette MSA assessment area during the review period.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks ninth of 17 institutions serving the market, with 2.72 percent of the area's deposit market share. Market leader JPMorgan Chase Bank, NA holds a considerable 31.85 percent of deposits, while only the top four institutions hold more than 10 percent of area deposits. This limits the bank's weight in the Lafayette MSA's deposit market.

1st Source ranks 18th of 231 HMDA reporters serving the MSA in 2016, having made 62 loans that year. Loan volumes among nearly all Lafayette MSA lenders were very close indicating strong competition for these loans. The bank ranks 11th of 65 CRA reporters serving the MSA, having made 53 such loans in 2016. Competition among CRA reporters is reasonably strong as loan volumes were close to one another and only the top six lenders made over 100 loans in the MSA that year.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Lafayette-West Lafayette, IN MSA 29200								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	3	8.1	1,351	3.6	467	34.6	8,118	21.9
Moderate-income	12	32.4	10,013	27.0	1,877	18.7	6,389	17.2
Middle-income	14	37.8	17,670	47.6	1,172	6.6	7,849	21.1
Upper-income	6	16.2	8,115	21.8	308	3.8	14,793	39.8
Unknown-income	2	5.4	0	0.0	0	0.0	0	0.0
Total Assessment Area	37	100.0	37,149	100.0	3,824	10.3	37,149	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	5,454	313	0.9	5.7	4,271	78.3	870	16.0
Moderate-income	22,220	8,432	23.6	37.9	11,820	53.2	1,968	8.9
Middle-income	28,142	18,270	51.1	64.9	7,840	27.9	2,032	7.2
Upper-income	13,621	8,735	24.4	64.1	4,240	31.1	646	4.7
Unknown-income	302	6	0.0	2.0	166	55.0	130	43.0
Total Assessment Area	69,739	35,756	100.0	51.3	28,337	40.6	5,646	8.1
	Total Businesses	Businesses by Tract & Revenue Size						
	Tract	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	350	6.6	313	6.5	34	7.5	3	5.5
Moderate-income	1,982	37.1	1,719	35.5	253	56.1	10	18.2
Middle-income	1,999	37.4	1,847	38.2	121	26.8	31	56.4
Upper-income	990	18.5	937	19.4	43	9.5	10	18.2
Unknown-income	21	0.4	20	0.4	0	0.0	1	1.8
Total Assessment Area	5,342	100.0	4,836	100.0	451	100.0	55	100.0
	Percentage of Total Businesses:			90.5		8.4		1.0
	Total Farms by Tract	Farms by Tract & Revenue Size						
	Tract	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	15	5.4	14	5.1	1	25.0	0	0.0
Middle-income	234	84.5	231	84.6	3	75.0	0	0.0
Upper-income	28	10.1	28	10.3	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	277	100.0	273	100.0	4	100.0	0	0.0
	Percentage of Total Farms:			98.6		1.4		0.0
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank’s performance in the Lafayette MSA was consistent with the overall rating with respect to lending, investments and services.

Assessment Area	Lending Test	Investment Test	Service Test
Lafayette-West Lafayette, IN MSA #29200	Consistent	Consistent	Consistent

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Lafayette-West Lafayette, IN MSA 29200								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %	
Home Purchase	Low	3	9.4	1.6	170	4.1	1.0	0.9
	Moderate	10	31.3	20.5	549	13.1	13.3	23.6
	Middle	15	46.9	53.9	2,544	60.7	59.2	51.1
	Upper	4	12.5	24.0	931	22.2	26.5	24.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		32	100.0	100.0	4,194	100.0	100.0
Refinance	Low	1	4.3	1.2	149	3.0	0.9	0.9
	Moderate	2	8.7	16.9	216	4.3	10.8	23.6
	Middle	14	60.9	55.3	2,936	58.4	59.0	51.1
	Upper	6	26.1	26.6	1,724	34.3	29.4	24.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		23	100.0	100.0	5,025	100.0	100.0
Home Improvement	Low	0	0.0	2.5	0	0.0	5.0	0.9
	Moderate	1	14.3	18.8	5	0.9	13.6	23.6
	Middle	5	71.4	56.3	472	81.8	59.2	51.1
	Upper	1	14.3	22.5	100	17.3	22.3	24.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		7	100.0	100.0	577	100.0	100.0
Multi-Family	Low	0	0.0	25.6	0	0.0	17.0	18.1
	Moderate	0	0.0	43.6	0	0.0	23.2	40.4
	Middle	0	0.0	15.4	0	0.0	32.4	23.3
	Upper	0	0.0	15.4	0	0.0	27.3	16.7
	Unknown	0	0.0	0.0	0	0.0	0.0	1.4
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	4	6.5	1.7	319	3.3	2.4	0.9
	Moderate	13	21.0	19.4	770	7.9	13.4	23.6
	Middle	34	54.8	54.2	5,952	60.8	56.9	51.1
	Upper	11	17.7	24.7	2,755	28.1	27.4	24.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		62	100.0	100.0	9,796	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Lafayette-West Lafayette, IN MSA 29200								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg	Dollar		Agg	
Bank	Agg	Bank	Agg					
		#	%	%	\$ (000s)	\$ %	\$ %	%
Small Business	Low	4	7.7	6.0	291	4.7	4.8	6.6
	Moderate	22	42.3	35.1	3,539	57.3	47.1	37.1
	Middle	22	42.3	40.0	1,964	31.8	27.9	37.4
	Upper	4	7.7	17.4	380	6.2	19.6	18.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.4
	Tr Unknown			1.5			0.5	
	Total		52	100.0	100.0	6,174	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Lafayette-West Lafayette, IN MSA 29200								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %			
Home Purchase	Low	1	3.1	11.5	68	1.6	7.0	21.9
	Moderate	3	9.4	20.2	288	6.9	15.3	17.2
	Middle	4	12.5	20.4	654	15.6	19.9	21.1
	Upper	11	34.4	33.0	2,579	61.5	44.9	39.8
	Unknown	13	40.6	14.9	605	14.4	13.0	0.0
	Total		32	100.0	100.0	4,194	100.0	100.0
Refinance	Low	0	0.0	6.5	0	0.0	3.5	21.9
	Moderate	2	8.7	15.6	366	7.3	11.0	17.2
	Middle	5	21.7	19.7	732	14.6	17.4	21.1
	Upper	15	65.2	34.7	3,816	75.9	45.8	39.8
	Unknown	1	4.3	23.4	111	2.2	22.3	0.0
	Total		23	100.0	100.0	5,025	100.0	100.0
Home Improvement	Low	0	0.0	7.9	0	0.0	2.5	21.9
	Moderate	2	28.6	20.0	116	20.1	14.2	17.2
	Middle	0	0.0	24.6	0	0.0	16.9	21.1
	Upper	3	42.9	39.2	80	13.9	47.8	39.8
	Unknown	2	28.6	8.3	381	66.0	18.5	0.0
	Total		7	100.0	100.0	577	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.9
	Moderate	0	0.0	0.0	0	0.0	0.0	17.2
	Middle	0	0.0	0.0	0	0.0	0.0	21.1
	Upper	0	0.0	0.0	0	0.0	0.0	39.8
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	1	1.6	9.6	68	0.7	5.2	21.9
	Moderate	7	11.3	18.5	770	7.9	12.6	17.2
	Middle	9	14.5	20.2	1,386	14.1	17.4	21.1
	Upper	29	46.8	33.6	6,475	66.1	41.4	39.8
	Unknown	16	25.8	18.1	1,097	11.2	23.4	0.0
	Total		62	100.0	100.0	9,796	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Lafayette-West Lafayette, IN MSA 29200									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		Bank #	%	Agg %	2016		Agg \$ %		
Bank \$ 000s	%								
Small Business	Revenue	\$1 Million or Less	17	32.7	40.7	1,724	27.9	37.5	90.5
		Over \$1 Million or Unknown	35	67.3	59.3	4,450	72.1	62.5	9.5
		Total	52	100.0	100.0	6,174	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	34	65.4	89.5	1,418	23.0	28.1	
		\$100,001 - \$250,000	11	21.2	5.1	1,912	31.0	17.8	
		\$250,001 - \$1 Million	7	13.5	5.3	2,844	46.1	54.1	
		Total	52	100.0	100.0	6,174	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	12	70.6		452	26.2		
		\$100,001 - \$250,000	3	17.6		570	33.1		
		\$250,001 - \$1 Million	2	11.8		702	40.7		
		Total	17	100.0		1,724	100.0		

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Lafayette- West Lafayette, IN MSA #29200	3	287	0	0	5	10,458	3	14,167	11	24,912	100.0

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Lafayette- West Lafayette, IN MSA #29200	19	6,241	0	0	0	0	0	0	19	6,241	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Lafayette- West Lafayette, IN MSA #29200	4	3	6	24	0	0	22	11	32	38	100.0

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Lafayette- West Lafayette, IN MSA #29200	65	76	0	642	783	100.0

MICHIGAN CITY-LAPORTE, IN MSA #33140- Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Michigan City-La Porte, MI MSA #33140 (Michigan City MSA) received a limited-scope review. The scope of examination consisted of a consideration of whether the bank's performance in this assessment area was above, below or consistent with its performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE MICHIGAN CITY MSA

The bank delineates the entirety of the Michigan City MSA as its assessment area. The demographic breakdown of the assessment area is as follows: zero low-income census tracts, eight moderate-income census tracts, 15 middle-income census tracts, five upper-income census tracts, and one census tract of unknown-income. This final census tract consists entirely of Lake Michigan. None of the census tracts are distressed or underserved.

The bank maintains five branches and five full service ATMs in the assessment area. The bank does not have any branches in low- or moderate-income census tracts. Four branches are located in middle-income census tracts, and one branch is located in an upper-income census tract. The bank neither opened nor closed branches or ATMs in the assessment area during the review period.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks second of eight institutions serving the market, with 14.9 percent of the area's deposit market share. This is a considerably higher percentage of the market than the six lower ranked institutions, but market leader Horizon Bank holds 54.3 percent of deposits, somewhat mitigating the bank's stature in the market.

1st Source ranks eight of 241 HMDA reporters serving the Michigan City MSA in 2016. It made 82 loans, among the highest number of HMDA-reportable loans made there that year. Only the top six lenders made more than 100 loans in the assessment area and lenders 20-241 made fewer than 30 HMDA-reportable loans, demonstrating 1st Source's import to the assessment area's home mortgage market. Similarly, the bank ranks third of 58 CRA reporters serving the MSA, having made 148 CRA-reportable loans, only somewhat fewer than market leader Citibank, NA with 180 such loans that year.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Michigan City-LaPorte, IN MSA 33140

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	5,857	20.5
Moderate-income	8	27.6	6,667	23.3	1,207	18.1	5,387	18.8
Middle-income	15	51.7	16,669	58.3	1,329	8.0	6,127	21.4
Upper-income	5	17.2	5,245	18.4	289	5.5	11,210	39.2
Unknown-income	1	3.4	0	0.0	0	0.0	0	0.0
Total Assessment Area	29	100.0	28,581	100.0	2,825	9.9	28,581	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	12,788	6,455	20.3	50.5	4,033	31.5	2,300	18.0
Middle-income	26,806	18,935	59.6	70.6	5,199	19.4	2,672	10.0
Upper-income	8,714	6,361	20.0	73.0	1,107	12.7	1,246	14.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	48,308	31,751	100.0	65.7	10,339	21.4	6,218	12.9
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,070	26.7	920	25.5	136	38.3	14	28.0
Middle-income	2,342	58.4	2,135	59.2	182	51.3	25	50.0
Upper-income	597	14.9	549	15.2	37	10.4	11	22.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,009	100.0	3,604	100.0	355	100.0	50	100.0
	Percentage of Total Businesses:			89.9		8.9		1.2
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	5	2.0	5	2.0	0	0.0	0	0.0
Middle-income	209	82.0	204	81.9	5	83.3	0	0.0
Upper-income	41	16.1	40	16.1	1	16.7	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	255	100.0	249	100.0	6	100.0	0	0.0
	Percentage of Total Farms:			97.6		2.4		0.0

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS

Note: Percentages may not add to 100.0 percent due to rounding

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance was consistent with the overall rating with respect to lending, below the overall rating relative to investments and consistent with the overall rating relative to services. It did not perform as well in the Michigan City MSA relative to the volume of investments and donations made during the review period.

Assessment Area	Lending Test	Investment Test	Service Test
Michigan City- La Porte, IN MSA #33140	Consistent	Below	Consistent

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Michigan City-LaPorte, IN MSA 33140								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2016						
		Count		Dollar				
		Bank	Agg	Bank	Agg			
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	4	18.2	20.0	430	12.3	16.8	20.3
	Middle	16	72.7	59.1	2,831	80.8	55.3	59.6
	Upper	2	9.1	20.9	241	6.9	27.8	20.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		22	100.0	100.0	3,502	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	2	8.0	14.2	100	1.1	10.7	20.3
	Middle	17	68.0	63.2	7,993	87.8	59.7	59.6
	Upper	6	24.0	22.6	1,010	11.1	29.6	20.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		25	100.0	100.0	9,103	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	8	22.9	18.2	232	25.6	13.1	20.3
	Middle	24	68.6	65.6	632	69.8	67.6	59.6
	Upper	3	8.6	16.2	42	4.6	19.3	20.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		35	100.0	100.0	906	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 0.0
	Moderate	0	0.0	0.0	0	0.0	0.0	36.3
	Middle	0	0.0	80.0	0	0.0	85.2	52.4
	Upper	0	0.0	20.0	0	0.0	14.8	11.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	14	17.1	17.6	762	5.6	13.5	20.3
	Middle	57	69.5	61.2	11,456	84.8	58.7	59.6
	Upper	11	13.4	21.2	1,293	9.6	27.8	20.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		82	100.0	100.0	13,511	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Michigan City-LaPorte, IN MSA 33140								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg	Dollar		Agg	
Bank	Agg	Bank	Agg					
		#	%	%	\$ (000s)	\$ %	\$ %	%
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	14	12.8	26.1	2,449	16.8	38.0	26.7
	Middle	72	66.1	55.3	8,315	57.1	46.2	58.4
	Upper	23	21.1	16.3	3,804	26.1	15.1	14.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			2.2			0.7	
	Total		109	100.0	100.0	14,568	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Michigan City-LaPorte, IN MSA 33140								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank	Agg	Bank	Agg			
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	3	13.6	9.3	229	6.5	5.0	20.5
	Moderate	4	18.2	21.3	360	10.3	14.9	18.8
	Middle	3	13.6	22.4	357	10.2	20.5	21.4
	Upper	11	50.0	29.8	2,322	66.3	45.8	39.2
	Unknown	1	4.5	17.2	234	6.7	13.7	0.0
	Total		22	100.0	100.0	3,502	100.0	100.0
Refinance	Low	0	0.0	7.5	0	0.0	3.3	20.5
	Moderate	3	12.0	12.3	244	2.7	6.8	18.8
	Middle	5	20.0	18.9	483	5.3	14.7	21.4
	Upper	14	56.0	37.3	2,062	22.7	49.3	39.2
	Unknown	3	12.0	23.9	6,314	69.4	25.9	0.0
	Total		25	100.0	100.0	9,103	100.0	100.0
Home Improvement	Low	6	17.1	9.5	86	9.5	2.4	20.5
	Moderate	10	28.6	19.4	166	18.3	9.4	18.8
	Middle	8	22.9	28.5	179	19.8	22.6	21.4
	Upper	8	22.9	36.4	457	50.4	58.7	39.2
	Unknown	3	8.6	6.3	18	2.0	6.9	0.0
	Total		35	100.0	100.0	906	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	20.5
	Moderate	0	0.0	0.0	0	0.0	0.0	18.8
	Middle	0	0.0	0.0	0	0.0	0.0	21.4
	Upper	0	0.0	0.0	0	0.0	0.0	39.2
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	9	11.0	8.6	315	2.3	4.0	20.5
	Moderate	17	20.7	17.6	770	5.7	10.8	18.8
	Middle	16	19.5	21.5	1,019	7.5	17.4	21.4
	Upper	33	40.2	33.2	4,841	35.8	45.8	39.2
	Unknown	7	8.5	19.1	6,566	48.6	22.0	0.0
	Total		82	100.0	100.0	13,511	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Michigan City-LaPorte, IN MSA 33140									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		#	%	%	2016		%		
Bank	Agg				Bank	Agg			
		#	%	%	\$ 000s	\$ %	\$ %	%	
Small Business	Revenue	\$1 Million or Less	50	45.9	41.9	4,861	33.4	30.4	89.9
		Over \$1 Million or Unknown	59	54.1	58.1	9,707	66.6	69.6	10.1
		Total	109	100.0	100.0	14,568	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	68	62.4	88.5	3,137	21.5	28.7	
		\$100,001 - \$250,000	24	22.0	6.7	3,810	26.2	22.3	
		\$250,001 - \$1 Million	17	15.6	4.8	7,621	52.3	49.1	
		Total	109	100.0	100.0	14,568	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	35	70.0		1,415	29.1		
		\$100,001 - \$250,000	11	22.0		1,703	35.0		
		\$250,001 - \$1 Million	4	8.0		1,743	35.9		
		Total	50	100.0		4,861	100.0		

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Michigan City-La Porte, IN MSA #33140	0	0	2	3,071	5	19,000	0	0	7	22,071	100.0

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Michigan City-La Porte, IN MSA #33140	8	3,953	0	0	0	0	0	0	18	3,953	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Michigan City-La Porte, IN MSA #33140	1	10	14	20	0	0	11	31	26	61	100.0

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Michigan City- La Porte, IN MSA #33140	0	0	0	582	582	100.0

NON METROPOLITAN IN EASTERN - Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Non MSA IN Eastern (Eastern or Huntington County) assessment area received a limited-scope review. The scope of examination consisted of a consideration of whether the bank's performance in this assessment area was above, below or consistent with its performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN EASTERN

The bank designates Huntington County, IN as its Eastern assessment area. Its demographic breakdown is as follows: zero low-income census tracts, one moderate-income census tract, six middle-income census tracts and two upper-income census tracts. None of the census tracts are distressed or underserved.

The bank maintains one branch with a full service ATM in the assessment area. The branch is located in a middle-income census tract. The bank neither opened nor closed branches or ATMs in Eastern during the review period.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks seventh of nine institutions serving the market, with 3.94 percent of the area's deposit market share, a percentage much smaller than each of the six institutions ranked higher.

1st Source ranked 11th of 117 HMDA reporters serving Eastern in 2016. It made 19 loans in a competitive market where only the top three performers made over 50 loans that year. Competition was not as strong relative to CRA-reportable loans in Eastern. 1st Source ranked 16th of 33 CRA reporters serving the assessment area, having made only 3 such loans there in 2016.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Eastern IN Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	1,557	15.6	
Moderate-income	1	11.1	1,031	10.3	173	16.8	2,018	20.2	
Middle-income	6	66.7	6,190	62.1	451	7.3	2,232	22.4	
Upper-income	2	22.2	2,748	27.6	142	5.2	4,162	41.7	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	9	100.0	9,969	100.0	766	7.7	9,969	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	1,788	867	7.6	48.5	772	43.2	149	8.3	
Middle-income	10,337	7,386	65.1	71.5	1,709	16.5	1,242	12.0	
Upper-income	3,719	3,086	27.2	83.0	404	10.9	229	6.2	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	15,844	11,339	100.0	71.6	2,885	18.2	1,620	10.2	
	Total Businesses Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate-income	136	10.5	118	10.2	17	14.4	1	5.9	
Middle-income	784	60.4	703	60.5	71	60.2	10	58.8	
Upper-income	377	29.1	341	29.3	30	25.4	6	35.3	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	1,297	100.0	1,162	100.0	118	100.0	17	100.0	
	Percentage of Total Businesses:			89.6		9.1		1.3	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate-income	1	0.6	1	0.6	0	0.0	0	0.0	0.0
Middle-income	90	55.2	89	54.9	1	100.0	0	0.0	0.0
Upper-income	72	44.2	72	44.4	0	0.0	0	0.0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total Assessment Area	163	100.0	162	100.0	1	100.0	0	0.0	
	Percentage of Total Farms:			99.4		0.6		0.0	
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance was consistent with the overall rating with respect to lending, below the overall rating relative to investments and consistent with the overall rating with respect to services. 1st Source did not perform as well in Eastern relative to the volume of investments and donations made during the review period in the full scope assessment areas.

Assessment Area	Lending Test	Investment Test	Service Test
Non MSA IN Eastern	Consistent	Below	Consistent

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Eastern IN Non MSA								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$ (000s)	\$ %	Agg \$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	25.0	10.0	137	24.8	10.5	7.6
	Middle	2	50.0	65.2	278	50.3	58.4	65.1
	Upper	1	25.0	24.8	138	25.0	31.1	27.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		4	100.0	100.0	553	100.0	100.0
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	12.5	7.5	91	15.0	5.1	7.6
	Middle	6	75.0	60.3	437	72.2	59.4	65.1
	Upper	1	12.5	32.2	77	12.7	35.6	27.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		8	100.0	100.0	605	100.0	100.0
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	14.3	8.9	17	17.9	17.4	7.6
	Middle	5	71.4	62.2	73	76.8	55.2	65.1
	Upper	1	14.3	28.9	5	5.3	27.4	27.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		7	100.0	100.0	95	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	33.3	0	0.0	85.8	57.5
	Middle	0	0.0	66.7	0	0.0	14.2	34.5
	Upper	0	0.0	0.0	0	0.0	0.0	8.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	3	15.8	9.1	245	19.6	13.6	7.6
	Middle	13	68.4	63.2	788	62.9	55.7	65.1
	Upper	3	15.8	27.7	220	17.6	30.7	27.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		19	100.0	100.0	1,253	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Eastern IN Non MSA								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016						
		Count		Agg	Dollar		Agg	
		Bank	Agg	Bank	Agg	Bank	Agg	%
		#	%	%	\$ (000s)	\$ %	\$ %	
Small Business	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	10.6	0	0.0	5.6	10.5
	Middle	3	100.0	48.9	136	100.0	46.1	60.4
	Upper	0	0.0	36.5	0	0.0	46.2	29.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			4.0			2.1	
	Total		3	100.0	100.0	136	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Eastern IN Non MSA								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar				
		Bank #	Agg %	Bank \$ (000s)	Agg \$ %	Bank \$ %	Agg \$ %	
Home Purchase	Low	0	0.0	9.5	0	0.0	5.5	15.6
	Moderate	2	50.0	28.4	290	52.4	21.8	20.2
	Middle	1	25.0	22.0	126	22.8	22.3	22.4
	Upper	0	0.0	22.8	0	0.0	34.4	41.7
	Unknown	1	25.0	17.3	137	24.8	16.0	0.0
	Total		4	100.0	100.0	553	100.0	100.0
Refinance	Low	0	0.0	5.7	0	0.0	2.3	15.6
	Moderate	4	50.0	16.1	302	49.9	8.4	20.2
	Middle	2	25.0	22.4	123	20.3	16.6	22.4
	Upper	2	25.0	35.3	180	29.8	44.2	41.7
	Unknown	0	0.0	20.4	0	0.0	28.4	0.0
	Total		8	100.0	100.0	605	100.0	100.0
Home Improvement	Low	1	14.3	6.7	61	64.2	6.9	15.6
	Moderate	2	28.6	21.1	22	23.2	11.5	20.2
	Middle	1	14.3	26.7	2	2.1	20.8	22.4
	Upper	2	28.6	40.0	5	5.3	51.0	41.7
	Unknown	1	14.3	5.6	5	5.3	9.7	0.0
	Total		7	100.0	100.0	95	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	15.6
	Moderate	0	0.0	0.0	0	0.0	0.0	20.2
	Middle	0	0.0	0.0	0	0.0	0.0	22.4
	Upper	0	0.0	0.0	0	0.0	0.0	41.7
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	1	5.3	7.9	61	4.9	3.9	15.6
	Moderate	8	42.1	23.3	614	49.0	14.5	20.2
	Middle	4	21.1	22.5	251	20.0	18.5	22.4
	Upper	4	21.1	28.7	185	14.8	36.7	41.7
	Unknown	2	10.5	17.6	142	11.3	26.3	0.0
	Total		19	100.0	100.0	1,253	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Eastern IN Non MSA									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		Bank #	%	Agg %	2016		Agg \$ %		
Bank \$ 000s	%				Total %				
Small Business	Revenue	\$1 Million or Less	3	100.0	43.1	136	100.0	36.1	89.6
		Over \$1 Million or Unknown	0	0.0	56.9	0	0.0	63.9	10.4
		Total	3	100.0	100.0	136	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	2	66.7	95.0	20	14.7	46.7	
		\$100,001 - \$250,000	1	33.3	2.4	116	85.3	11.4	
		\$250,001 - \$1 Million	0	0.0	2.6	0	0.0	42.0	
		Total	3	100.0	100.0	136	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	2	66.7		20	14.7		
		\$100,001 - \$250,000	1	33.3		116	85.3		
		\$250,001 - \$1 Million	0	0.0		0	0.0		
		Total	3	100.0		136	100.0		

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan IN-East	0	0	0	0	0	0	1	3,250	1	3,250	100.0

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan IN-East	1	203	0	0	0	0	0	0	1	203	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Non Metropolitan IN-East	0	0	1	0.3	0	0	6	11	7	11	100.0

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Non Metropolitan IN- East	0	8	0	35	43	100.0

MICHIGAN

CRA RATING FOR MICHIGAN: Satisfactory
The Lending Test is rated: Outstanding
The Investment Test is rated: High Satisfactory
The Service Test is rated: Low Satisfactory

The CRA Rating for the State of Michigan is Satisfactory. The rating is based on the institution's performance in the sole full-scope assessment area in the state, detailed below at Scope of Examination.

SCOPE OF EXAMINATION

The following full-scope assessment area contributed to the rating for Michigan: Niles-Benton Harbor, MI MSA #35660 (Niles-Benton Harbor or Niles-Benton Harbor MSA). The Kalamazoo-Portage, MI MSA #28020 received a limited scope review. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MICHIGAN

1st Source maintains two assessment areas in Michigan, both of which are metropolitan areas. The bank maintains a total of eight branches there. See individual assessment area summaries for demographic and economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

LENDING TEST

1st Source Bank's performance relative to the Lending Test in Michigan is rated Outstanding based on the following factors as determined by the full scope assessment area: the geographic distributions of loans reflects excellent penetration throughout the assessment area contributing to the state rating; the distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes; the bank exhibits an excellent record of serving the credit needs of low-income individuals and areas and very small businesses; and it is a leader in making CD loans. See individual assessment area summary sections for details.

Geographic and Borrower Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area contributing to Michigan's rating. 1st Source's performance relative to both HMDA- and CRA-reportable lending in Niles-Benton Harbor was excellent in terms of numbers and dollars loaned, as well as with respect to the aggregate of lenders' performance. There was one conspicuous gap of unserved census tract in the assessment area; nevertheless the performance context provided reasonable mitigating circumstances and dispersion of loans throughout the assessment area was good.

The distribution of borrowers reflects, given the product lines offered, excellent penetration among borrowers of different income levels and businesses of different sizes. This was the case for both HMDA-reportable and small business loans.

Community Development Lending

1st Source Bank is a leader in providing community development loans, making a substantial \$19.5 million in loans in Niles-Benton Harbor during the review period. This represents an increase of 529.0 percent since the previous evaluation. Moreover, loans were highly responsive to assessment area needs.

INVESTMENT TEST

1st Source Bank's name performance relative to the Investment Test in Michigan is rated High Satisfactory based on the following factors as determined by the full scope assessment area: the bank made a significant level of qualified investments and grants; it made rare use of innovative and complex investments to support CD initiatives and it exhibited good responsiveness to assessment area credit and CD needs. See individual assessment area summaries for details.

The bank made a significant level of qualified community development investments and grants, given its presence in Michigan's full scope assessment area. The bank made new investments worth \$2.0 million and maintained investments worth \$2.5 million. This represents growth since the previous evaluation during which time the bank made new investments worth \$1.4 million and maintained prior period investments worth \$2.4 million. Donations of \$57,000 were made in the full scope assessment area the review period, a significant increase of 90.0 percent from \$30,000 during the previous evaluation period.

While the bank did not make use of innovative or complex investments in the assessment area, its investments and donations were both responsive to Niles-Benton Harbor's community needs.

SERVICE TEST

1st Source Bank's performance relative to the Service Test in Michigan is rated Low Satisfactory based on the following factors as determined by the full scope assessment area: delivery systems are reasonably accessible to the bank's geographies and individuals of different income levels in the assessment area; the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly LMI geographies and individuals. Services do not vary in a way that inconveniences the assessment area, particularly LMI geographies and individuals. The bank provides an adequate level of community development services. See individual assessment area summary sections for details.

Retail Services

Delivery systems are reasonably accessible, though some challenges to accessibility exist for residents of Benton Harbor and for those living in the MSA's rural portions. The bank has neither opened nor closed branches in the assessment area and services do not vary in a way that inconveniences the assessment area.

Community Development Services

The bank provides an adequate level of community development services. It contributed 486 hours of such service to the assessment area during the review period, a decrease from the 596 hours it contributed during the previous review period. The bank's services were responsive to community needs.

NILES-BENTON HARBOR, MI MSA #35660 - Full Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Niles-Benton Harbor MSA received a full-scope review. The scope of examination is consistent with that which was defined for the whole review; see the more detailed description of the scope contained in the introduction section.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NILES-BENTON HARBOR MSA

1st Source delineates the entirety of the Niles-Benton Harbor MSA, also known as Berrien County, as its assessment area. It consists of 49 census tracts: six are low-income, six are moderate-income, 22 are middle-income, 14 are upper-income and one is of unknown income. Census tract, 9900.00, of unknown income, is comprised entirely of Lake Michigan.

The bank maintains six branches in Berrien County, two of which are in moderate-income census tracts and four of which are in upper-income census tracts. There are six ATMs in the assessment area, four of which are full-service and two of which are cash-only. The bank neither opened nor closed branches or ATMs in the assessment area during the review period.

According to the FDIC Market Share report, dated June 30, 2017, 1st Source ranks fifth of 11 institutions serving Berrien County, with 6.3 percent of the market share. Chemical Bank leads the market with 29.8 percent, followed by Fifth Third Bank which has 27.0 percent of the market.

1st Source ranks 15th of 254 HMDA reporters serving the market having made 60 such loans there in 2016. Market leader United Federal Credit Union made 639 loans in Berrien County that year. While the top lenders made several hundred loans each, only the top 18 lenders made over 50 loans in the market in 2016. The bank ranks ninth of 59 CRA reporters in Berrien County, having made 77 loans there in 2016. As with respect to HMDA-reportable loans, 1st Source made significantly fewer loans than did market leader Citibank, NA, which made 479 in the market that year. However, only the top 12 lenders made more than 50 CRA-reportable loans in the assessment area. The data demonstrates that despite having made substantially fewer loans than market leaders, 1st Source is still a significant player in the assessment area market, and that competition is strong.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Niles-Benton Harbor, MI MSA 35660									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	6	12.2	3,007	7.2	1,462	48.6	9,003	21.7	
Moderate-income	6	12.2	5,332	12.8	1,086	20.4	7,583	18.2	
Middle-income	22	44.9	19,446	46.8	1,771	9.1	8,272	19.9	
Upper-income	14	28.6	13,772	33.1	533	3.9	16,699	40.2	
Unknown-income	1	2.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	49	100.0	41,557	100.0	4,852	11.7	41,557	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	%	#	%	#	%	
Low-income	6,409	1,871	4.1	29.2	3,329	51.9	1,209	18.9	
Moderate-income	10,289	5,350	11.7	52.0	3,341	32.5	1,598	15.5	
Middle-income	36,597	21,852	48.0	59.7	6,123	16.7	8,622	23.6	
Upper-income	23,529	16,491	36.2	70.1	4,255	18.1	2,783	11.8	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	76,824	45,564	100.0	59.3	17,048	22.2	14,212	18.5	
	Total Businesses Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	639	9.2	555	8.8	77	13.4	7	9.1	
Moderate-income	739	10.6	672	10.6	61	10.6	6	7.8	
Middle-income	2,864	41.1	2,631	41.6	195	33.9	38	49.4	
Upper-income	2,731	39.2	2,462	39.0	243	42.2	26	33.8	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	6,973	100.0	6,320	100.0	576	100.0	77	100.0	
	Percentage of Total Businesses:			90.6		8.3		1.1	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	1	0.3	1	0.3	0	0.0	0	0.0	
Moderate-income	9	2.6	9	2.7	0	0.0	0	0.0	
Middle-income	230	66.3	219	66.4	11	64.7	0	0.0	
Upper-income	107	30.8	101	30.6	6	35.3	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	347	100.0	330	100.0	17	100.0	0	0.0	
	Percentage of Total Farms:			95.1		4.9		0.0	
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

Population change was similarly low in the assessment area and in Michigan between 2010 and 2011-2015. Berrien County lost 0.8 percent of its population and Michigan gained 0.2 percent of its population.

The table below presents population change between 2010 and 2011-2015 in the assessment area and in Michigan.

Population Change 2010 and 2011-2015			
Area	2010 Population	2011-2015 Population	Percentage Change (%)
Berrien County, MI	156,813	155,565	-0.8
State of Michigan	9,883,640	9,900,571	0.2
<i>Source: 2010 – U.S. Census Bureau: Decennial Census 2011-2015 – U.S. Census Bureau: American Community Survey</i>			

Income Characteristics

Median family income is lower in Berrien County than it is in Michigan, but it grew faster in the county than it did in the state between 2006-2010 and 2011-2015. In the former, it increased by 5.3 percent, while in the latter it increased by only 3.2 percent during the same period. Community representatives indicate that Benton Harbor’s traditionally higher rate of poverty provides rationale for the assessment area’s lower income levels, however new businesses are moving into the area and offering employment for better wages, which provides context for the higher rate of income growth there. Representatives also stated that while higher paid employment has increased, mid-range jobs are less prevalent and low wages jobs have seen a decrease in salary, furthering challenges for some low- and moderate-income individuals.

The table below presents median family income change in the assessment area and in Michigan between 2006-2010 and 2011-2015.

Median Family Income Change 2006-2010 and 2011-2015			
Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Berrien County, MI	54,751	57,640	5.3
State of Michigan	60,341	62,247	3.2
<i>Source: 2006-2010 – U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>			

The assessment area's personal bankruptcy rates were lower than Michigan's between 2013 and 2016. Berrien County bankruptcies dropped from 3.0 per 1,000 population in 2013 to 2.1 per 1,000 population in 2016, while Michigan's bankruptcies dropped from 4.2 per 1,000 population in 2013 to 3.0 per 1,000 population in 2016. Community representatives indicate that bankruptcies are lower in Berrien County, not because of any particular strength in the economy but because of traditionally low filing rates in general.

Housing Characteristics

In low-income census tracts 29.2 percent of residents own their homes. In moderate-income census tracts 52.0 percent of residents own their homes, suggesting opportunity for HMDA-reportable lending. Community representatives tout the wide variety of housing available with a selection of higher cost housing and subsidized housing in the assessment area. There is a lack of affordable mid and lower cost housing available for purchase or rental. Coupled with stagnant incomes for lower wage employment, lending to LMI census tracts presents a moderate challenge to financial institutions operating in Berrien County.

Median housing value (MHV) decreased by 2.2 percent in the assessment area between 2006-2010 and 2011-2015. This is substantially less than Michigan's 15.1 percent decrease in MHV during the same period. Housing values are decreasing at a slower rate in the MSA due to a faster general recovery from the economic downturn, in part due to expansion at Whirlpool Corporation, headquartered in Benton Harbor.

Median gross rent grew at a much faster rate in the Niles-Benton Harbor MSA than it did in Michigan between 2006-2010 and 2011-2015, 13.8 percent versus 8.3 percent. Lack of available and affordable mid and lower cost housing for purchase provides some context for the increased rental rates. However, rentals remain less expensive in the assessment area than the state. In 2011-2015 median gross rent was \$674 in Berrien County compared to \$783 in Michigan.

According to LPS Applied Analytics, foreclosure rates were comparable in the assessment area and the state in 2015-2016, averaging 0.6 percent of housing stock in the former and 0.5 percent of housing stock in the latter.

The table below presents trends in housing costs in the assessment area and Michigan between 2006-2010 and 2011-2015.

Trends in Housing Costs 2006-2010 and 2011-2015				
Location	2006-2010 Median Housing Value (\$)	2011-2015 Median Housing Value (\$)	2006-2010 Median Gross Rent (\$)	2011-2015 Median Gross Rent (\$)
Berrien County, MI	135,600	132,600	592	674
State of Michigan	144,200	122,400	723	783
<i>Source: 2006-2010 – U.S. Census Bureau: American Community Survey 2011-2015 – U.S. Census Bureau: American Community Survey</i>				

Employment Characteristics

Unemployment rates were comparable in the Niles-Benton Harbor MSA and Michigan, and fell at the same rate, between 2013 and 2016. In 2013 unemployment was at 9.0 percent in the assessment area and 8.8 percent in the state. By 2016 levels had dropped to 4.8 percent in the assessment area and 4.9 percent in the state.

The table below presents unemployment rates in the assessment area and the state between 2013 and 2016.

Unemployment Rates (%) 2013 to 2016				
Region	2013	2014	2015	2016
Berrien County, MI	9.0	6.7	5.2	4.8
State of Michigan	8.8	7.3	5.4	4.9
<i>Source: U.S. Bureau of Labor Statistics</i>				

Major Employers

The assessment area is heavily reliant on manufacturing, as demonstrated by its Location Quotient of 3.2. Maytag Corporation, Whirlpool Corporation and LECO Corporation are the three largest manufacturing employers in the assessment area, providing close to 6,000 local jobs. Other large employers include a casino, pharmacies, power plants and a university.

The table below presents the largest employers in the assessment area.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Maytag Corp	3,000	Refrigerators- Manufacturers
Four Winds New Buffalo	3,000	Casinos
Whirlpool Corp	2,000	Appliances- Household- Major- Manufacturers
Lakeland Regional Health Pharm.	1,500	Pharmacies
Cook Energy Information Ctr.	1,200	Power Plants
Andrews University	900	Schools- Universities & Colleges Academic
LECO Corp	809	Physicians & Surgical Equipment

Source: InfoUSA

Community Representative

One community representative was contacted to provide information about local housing, employment and other economic conditions. The representative represented an economic development organization. The representative indicated that affordable housing was the assessment area’s major need, particularly for mid-range purchasers. Lastly, it was noted that there is a need to attract younger workers to the assessment area to replace the jobs held previously by the aging population.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NILES-BENTON HARBOR MSA

LENDING TEST

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent penetration throughout the assessment area. While the bank made no HMDA-reportable loans in low-income census tracts in 2016, it made 21.7 percent of such loans, by number, in moderate-income census tracts that year, more than twice as much as the aggregate of lenders’ 8.9 percent of loans, by number in moderate-income census tracts. It also substantially exceeded the demographic of owner occupied housing in moderate-income census tracts, 11.7 percent. Though the bank did not approach the owner-occupied demographic in low-income census tracts of 4.1 percent, =the aggregate of lenders only made 0.9 percent of its HMDA-reportable loans, by number, in low-income census tracts. Moreover, community representatives stress the need for mid-range housing in the assessment area and 1st Source’s lending in moderate-income census tracts contributes to meeting this need. Consequently, it is of heightened responsiveness.

The bank’s performance relative to small business lending was also excellent. The bank made 6.5 percent of these loans, by number, in low-income census tracts, less than the aggregate of lenders

which made 8.5 percent of these loans, by number, there, and less than the demographic of 9.2 percent of assessment area businesses located there. However, 1st Source made 20.8 percent of its small business loans, by number, in moderate-income census tracts, more than twice the lending performed by the aggregate of lenders, which made 8.1 percent of these loans, by number, in moderate income census tracts. The bank's performance nearly doubled the demographic of assessment area businesses located in moderate-income census tracts, 10.6 percent.

The bank's dispersion of lending throughout the assessment area was good. The bank made loans in 71.4 percent of Berrien County's census tracts; however it made loans in only 50.0 percent of the county's LMI census tracts. There is a cluster of four low-income census tracts and one moderate-income census tracts in Benton Harbor and Benton Heights in which no lending occurred (4.00, 5.00, 6.00, 22.00 and 23.00). The bank maintains no branches in Benton Harbor or Benton Heights, limiting accessibility for those living in these census tracts, which provides some context for the lack of lending. Moreover, census tracts 4.00 and 5.00 contain only 26 and 145 owner-occupied units, respectively, greatly limiting opportunity for lending there. In census tract 22.00, only 26.9 percent of housing units are owner-occupied, also limiting lending opportunity. These factors mitigate 1st Source's lack of lending in these census tracts.

HMDA-Reportable Lending

Home Purchase Loans

The bank made no home purchase loans in low-income census tracts, less than the aggregate of lenders which made 1.0 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in low-income census tracts is 4.1.

The bank made no home purchase loans in moderate-income census tracts, less than the aggregate of lenders which made 9.1 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in moderate-income census tracts is 11.7.

The bank made 52.2 percent of its home purchase loans, by number, in middle-income census tracts, more than the aggregate of lenders which made 47.1 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in middle-income census tracts is 48.0.

The bank made 47.8 percent of its home purchase loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 42.7 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in upper-income census tracts is 36.2.

Refinance Loans

The bank made no refinance loans in low-income census tracts, less than the aggregate of lenders which made 0.5 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in low-income census tracts is 4.1.

The bank made 18.8 percent of its refinance loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 8.1 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in moderate-income census tracts is 11.7.

The bank made 37.5 percent of its refinance loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 49.8 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in middle-income census tracts is 48.0.

The bank made 43.8 percent of its refinance loans, by number, in upper-income census tracts, more than the aggregate of lenders which made 41.6 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in upper-income census tracts is 36.2.

Home Improvement Loans

The bank made no home improvement loans, by number, in low-income census tracts, less than the aggregate of lenders which made 2.1 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in low-income census tracts is 4.1.

The bank made 47.6 percent of its home improvement loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 12.8 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in moderate-income census tracts is 11.7.

The bank made 33.3 percent of its home improvement loans, by number, in middle-income census tracts, less than the aggregate of lenders which made 47.5 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in middle-income census tracts is 48.0.

The bank made 19.0 percent of its home improvement loans, by number, in upper-income census tracts, less than the aggregate of lenders which made 37.6 percent of such loans, by number, in these census tracts. The percentage of the assessment area's owner-occupied housing in upper-income census tracts is 36.2. The table below presents the geographic distribution of HMDA-reportable loans in the assessment area in 2016.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Niles-Benton Harbor, MI MSA 35660								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016			2016			
		Count		Agg	Dollar		Agg	
		Bank			Bank			
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	1.0	0	0.0	0.5	4.1
	Moderate	0	0.0	9.1	0	0.0	5.2	11.7
	Middle	12	52.2	47.1	1,338	32.4	46.4	48.0
	Upper	11	47.8	42.7	2,795	67.6	47.9	36.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		23	100.0	100.0	4,133	100.0	100.0
Refinance	Low	0	0.0	0.5	0	0.0	0.3	4.1
	Moderate	3	18.8	8.1	380	19.5	5.2	11.7
	Middle	6	37.5	49.8	718	36.9	54.3	48.0
	Upper	7	43.8	41.6	848	43.6	40.2	36.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		16	100.0	100.0	1,946	100.0	100.0
Home Improvement	Low	0	0.0	2.1	0	0.0	0.2	4.1
	Moderate	10	47.6	12.8	142	29.7	4.8	11.7
	Middle	7	33.3	47.5	25	5.2	50.4	48.0
	Upper	4	19.0	37.6	311	65.1	44.6	36.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		21	100.0	100.0	478	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	Multi-Family 18.7
	Moderate	0	0.0	16.7	0	0.0	3.4	22.3
	Middle	0	0.0	33.3	0	0.0	31.6	29.4
	Upper	0	0.0	50.0	0	0.0	65.0	29.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	0	0.0	0.9	0	0.0	0.4	4.1
	Moderate	13	21.7	8.9	522	8.0	5.1	11.7
	Middle	25	41.7	48.3	2,081	31.7	49.2	48.0
	Upper	22	36.7	42.0	3,954	60.3	45.4	36.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		60	100.0	100.0	6,557	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The bank made 6.5 percent of its small business loans, by number, in low-income census tracts, less than the aggregate of lenders which made 8.5 percent of such loans, by number, in these census tracts. The percentage of assessment area businesses in low-income census tracts is 9.2.

The bank made 20.8 percent of its small business loans, by number, in moderate-income census tracts, more than the aggregate of lenders which made 8.1 percent of such loans, by number, in these census tracts. The percentage of assessment area businesses in moderate-income census tracts is 10.6.

The bank made 41.6 percent of its small business loans, by number in middle-income census tracts, more than the aggregate of lenders which made 39.2 percent of such loans, by number, in these census tracts. The percentage of assessment area businesses in middle-income census tracts is 41.1 percent.

The bank made 31.2 percent of its small business loans, by number, in upper-income census tracts, less than the aggregate of lenders which made 42.4 percent of such loans, by number, in these census tracts. The percentage of assessment area businesses in upper-income census tracts is 39.2.

The table below presents the geographic distribution of small business loans in the assessment area in 2016.

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Niles-Benton Harbor, MI MSA 35660								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses %
		2016						
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$ (000s)	\$ %					
Small Business	Low	5	6.5	8.5	162	1.6	10.5	9.2
	Moderate	16	20.8	8.1	1,572	15.3	7.6	10.6
	Middle	32	41.6	39.2	3,821	37.3	34.7	41.1
	Upper	24	31.2	42.4	4,693	45.8	46.5	39.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			1.8			0.6	
	Total	77	100.0	100.0	10,248	100.0	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The distribution of borrowers reflects, given the product lines offered, excellent penetration among customers of different income levels and businesses of different sizes. 1st Source outperformed the aggregate of lenders in making HMDA-reportable loans to low-income borrowers in 2016, making 11.7 percent of such loans, by number, to these borrowers, while the aggregate of lenders made 6.7 percent of its loans, by number, to these borrowers in 2016. Low-income families comprise 21.7 percent of assessment area families. The bank's performance was even stronger relative to HMDA-reportable loans made to moderate-income borrowers, outperforming the aggregate of lenders and exceeding the demographic of moderate-income families, 18.2 percent. 1st Source made 23.3 percent of its HMDA-reportable loans, by number, to moderate-income borrowers while the aggregate of lenders made 15.3 percent of such loans, by number, to these borrowers. Community representatives stressed the importance of mid-range housing availability to the assessment area. By making such a substantial number of loans to moderate-income borrowers, the bank demonstrates its responsiveness to this need.

With respect to small business lending, 1st Source made 58.4 percent of these loans to firms reporting annual revenues of \$1 million or less, outperforming the aggregate of lenders, which made 43.7 percent of its small business loans to these borrowers. Ninety point six percent of assessment area businesses report revenues of \$1 million or less. In addition, 80.0 percent of the small business loans 1st Source made to these firms were in amounts of \$100,000 or less, often deemed most responsive to the needs of small businesses.

HMDA-Reportable Lending

Home Purchase Loans

The bank made 13.0 percent of its home purchase loans, by number, to low-income borrowers, more than the aggregate of lenders which made 7.0 percent of such loans, by number, to these borrowers. Low-income families comprise 21.7 percent of assessment area families.

The bank made 17.4 percent of its home purchase loans, by number, to moderate-income borrowers, less than the aggregate of lenders which made 18.1 percent of such loans, by number, to these borrowers. Moderate-income families comprise 18.2 percent of assessment area families.

The bank made 21.7 percent of its home purchase loans, by number, to middle-income borrowers, more than the aggregate of lenders which made 17.8 percent of such loans, by number, to these borrowers. Middle-income families comprise 19.9 percent of assessment area families.

The bank made 47.8 percent of its home purchase loans, by number, to upper-income borrowers, more than the aggregate of lenders which made 45.9 percent of such loans, by number, to these borrowers. Upper-income families comprise 40.2 percent of assessment area families.

The bank made no home purchase loans to borrowers of unknown income, less than the aggregate of lenders which made 11.1 percent of such loans, by number, to these borrowers.

Refinance Loans

The bank made 12.5 percent of its refinance loans, by number, to low-income borrowers, more than the aggregate of lenders which made 6.1 percent of such loans, by number, to these borrowers. Low-income families comprise 21.7 percent of assessment area families.

The bank made 25.0 percent of its refinance loans, by number, to moderate-income borrowers, more than the aggregate of lenders which made 11.7 percent of such loans, by number, to these borrowers. Moderate-income families comprise 18.2 percent of assessment area families.

The bank made 18.8 percent of its refinance loans, by number, to middle-income borrowers, more than the aggregate of lenders which made 15.5 percent of such loans, by number, to these borrowers. Middle-income families comprise 19.9 percent of assessment area families.

The bank made 37.5 percent of its refinance loans, by number, to upper-income borrowers, less than the aggregate of lenders which made 48.6 percent of such loans, by number, to these borrowers. Upper-income families comprise 40.2 percent of assessment area families.

The bank made 6.3 percent of its refinance loans, by number, to borrowers of unknown income, less than the aggregate of lenders which made 18.2 percent of such loans, by number, to these borrowers.

Home Improvement Loans

The bank made 9.5 percent of its home improvement loans, by number, to low-income borrowers, more than the aggregate of lenders which made 8.5 percent of such loans, by number, to these borrowers. Low-income families comprise 21.7 percent of assessment area families.

The bank made 28.6 percent of its home improvement loans, by number, to moderate-income borrowers, more than the aggregate of lenders which made 18.4 percent of such loans, by number, to these borrowers. Moderate-income families comprise 18.2 percent of assessment area families.

The bank made 38.1 percent of its home improvement loans, by number, to middle-income borrowers, more than the aggregate of lenders which made 21.6 percent of such loans, by number, to these borrowers. Middle-income families comprise 19.9 percent of assessment area families.

The bank made 19.0 percent of its home improvement loans, by number, to upper-income borrowers, less than the aggregate of lenders which made 46.8 percent of such loans, by number, to these borrowers. Upper-income families comprise 40.2 percent of assessment area families.

The bank made 4.8 percent of its home improvement loans, by number, to borrowers of unknown income, comparable to the aggregate of lenders which made 4.6 percent of such loans, by number, to these borrowers.

The table below presents the borrower distribution of HMDA-reportable loans in the assessment area in 2016.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Niles-Benton Harbor, MI MSA 35660								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	3	13.0	7.0	232	5.6	2.9	21.7
	Moderate	4	17.4	18.1	306	7.4	10.7	18.2
	Middle	5	21.7	17.8	652	15.8	14.3	19.9
	Upper	11	47.8	45.9	2,943	71.2	63.5	40.2
	Unknown	0	0.0	11.1	0	0.0	8.6	0.0
	Total		23	100.0	100.0	4,133	100.0	100.0
Refinance	Low	2	12.5	6.1	143	7.3	2.5	21.7
	Moderate	4	25.0	11.7	347	17.8	5.6	18.2
	Middle	3	18.8	15.5	383	19.7	10.2	19.9
	Upper	6	37.5	48.6	853	43.8	64.8	40.2
	Unknown	1	6.3	18.2	220	11.3	16.9	0.0
	Total		16	100.0	100.0	1,946	100.0	100.0
Home Improvement	Low	2	9.5	8.5	6	1.3	1.7	21.7
	Moderate	6	28.6	18.4	111	23.2	4.9	18.2
	Middle	8	38.1	21.6	86	18.0	10.2	19.9
	Upper	4	19.0	46.8	225	47.1	76.8	40.2
	Unknown	1	4.8	4.6	50	10.5	6.4	0.0
	Total		21	100.0	100.0	478	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.7
	Moderate	0	0.0	0.0	0	0.0	0.0	18.2
	Middle	0	0.0	0.0	0	0.0	0.0	19.9
	Upper	0	0.0	0.0	0	0.0	0.0	40.2
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	7	11.7	6.7	381	5.8	2.5	21.7
	Moderate	14	23.3	15.3	764	11.7	7.7	18.2
	Middle	16	26.7	17.0	1,121	17.1	11.6	19.9
	Upper	21	35.0	47.0	4,021	61.3	61.0	40.2
	Unknown	2	3.3	14.0	270	4.1	17.2	0.0
	Total		60	100.0	100.0	6,557	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Loans

The bank made 58.4 percent of its small business loans, by number, to borrowers reporting revenues of \$1 million or less, more than the aggregate of lenders which made 43.7 percent of its small business loans, by number to these borrowers. Total assessment area businesses reporting revenues of \$1 million or less are 90.6 percent.

The bank made 41.6 percent of its small business loans, by number, to borrowers reporting revenues in excess of \$1 million, less than the aggregate of lenders which made 56.3 percent of its small business loans, by number to these borrowers. Total assessment area businesses reporting revenues in excess of \$1 million are 9.4 percent.

The table below presents the borrower distribution of small business loans in the assessment area in 2016.

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Niles-Benton Harbor, MI MSA 35660									
Product Type		Bank & Aggregate Lending Comparison							
		Count			Dollar			Total Businesses	
		Bank	Agg	Bank	Agg	Agg			
#	%	%	\$ 000s	\$ %	\$ %	%			
Small Business	Revenue	\$1 Million or Less	45	58.4	43.7	3,686	36.0	35.7	90.6
		Over \$1 Million or Unknown	32	41.6	56.3	6,562	64.0	64.3	9.4
		Total	77	100.0	100.0	10,248	100.0	100.0	100.0
	Loan Size	\$100,000 or Less	52	67.5	88.7	2,332	22.8	29.3	
		\$100,001 - \$250,000	13	16.9	5.5	2,292	22.4	17.7	
		\$250,001 - \$1 Million	12	15.6	5.8	5,624	54.9	53.0	
		Total	77	100.0	100.0	10,248	100.0	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	36	80.0		1,524	41.3		
		\$100,001 - \$250,000	6	13.3		1,087	29.5		
		\$250,001 - \$1 Million	3	6.7		1,075	29.2		
Total		45	100.0		3,686	100.0			
Originations & Purchases									
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Community Development Lending

The bank is a leader in making community development loans. It made loans worth \$19.5 million to Niles-Benton Harbor during the review period, up from \$3.1 million during the previous review period. Loans were largely made to local organizations for working capital or equipment purchase, furthering the organizations' ability to employ LMI individuals in the community. Community representatives mentioned the need to retain workers; this is one mechanism by

which 1st Source addresses that need. The bank also made loans to finance construction of multiple hotels, also expected to provide permanent employment for area LMI individuals. The dollars loaned, and the purposes they serve, are particularly responsive to the assessment area’s needs.

The table below presents the bank’s community development loans in the assessment area during the review period.

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Niles- Benton Harbor, MI MSA #35660	0	0	0	0	5	17,916	3	1,630	8	19,546	100.0

INVESTMENT TEST

1st Source Bank’s made a significant level of qualified investments and grants; it makes rare use of innovative and complex investments to support CD initiatives and it exhibits good responsiveness to assessment area credit and CD needs.

The bank made a significant level of qualified community development investments and grants, given its presence in the assessment area. The bank made new investments worth \$2.0 million and maintained investments worth \$2.5 million. This represents growth since the previous evaluation during which time the bank made new investments worth \$1.4 million and maintained prior period investments worth \$2.4 million.

Donations of \$57,000 were made in Berrien County during the review period, a significant increase of 90.0 percent from \$30,000 during the previous evaluation period.

The bank does not use of innovative and complex investments to support community development initiatives. During the review period it made only traditional investments in the assessment area.

1st Source exhibits good responsiveness to credit and community development needs. Community representatives and performance context data identify affordable housing as a major assessment area need. The bank invested in affordable housing exclusively, responding to this need. With respect to donations the bank provided funds to economic development and community service organizations, addressing other needs set forth in the performance context including workforce development.

The tables below present qualified community development investments and donations in the assessment area during the review period.

Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Niles- Benton Harbor, MI MSA #35660	18*	4,552	0	0	0	0	0	0	18	4,552	100.0

*Number of mortgage backed securities that contained assessment area loans

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Niles- Benton Harbor, MI MSA #35660	0	0	9	29	0	0	11	28	20	57	100.0

SERVICE TEST

1st Source Bank’s delivery systems are reasonably accessible to the bank’s geographies and individuals of different income levels in the assessment area; the bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly LMI geographies and individuals. Services do not vary in a way that inconveniences the assessment area, particularly LMI geographies and individuals. The bank provides an adequate level of community development services.

Retail Services

Delivery systems are reasonably accessible to the bank’s geographies and individuals of different income levels in the assessment area. The bank maintains two branches in moderate-income census tracts, both in the city of Niles. However, 1st Source has no branches in Benton Harbor, much of which is LMI. These individuals are required to travel to nearby St. Joseph in order to do business at a branch. Moreover, there are large rural portions of the assessment area in which no branches exist, limiting accessibility for these communities.

The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to LMI geographies and individuals. 1st Source neither opened nor closed branches in the assessment area during the review period.

Services do not vary in a way that inconveniences the assessment area, particularly LMI geographies and individuals. The bank maintains six branches in the assessment area, all of which are open during regular business hours, 9am to 5pm Monday through Friday. Three branches maintain extended evening, Saturday and Sunday hours, including one of the two branches in moderate-income census tracts. While services do not vary based upon the income level of the geography in which branches are located, the offering of extended hours at only three of six branches does not rise to the level of tailoring services to the convenience and needs of the entire assessment area.

Community Development Services

1st Source provides an adequate level of community development services. It contributed 486 hours of such service to the assessment area during the review period, more than the 456 hours it contributed during the previous review period. The bank’s services were responsive to assessment area needs as well. The majority of hours were contributed to community services such as financial education, board memberships and fundraising for social services organizations. These play a role in Berrien County’s ability to provide service for its LMI individuals who are suffering from income stagnation, and, consequently, elevated need, as demonstrated by the performance context.

The table below presents the bank’s community development services in the assessment area during the review period.

Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Niles- Benton Harbor, MI MSA #35660	1	15	8	462	486	100.0

KALAMAZOO-PORTAGE, MI MSA #28020- Limited Review

SCOPE OF THE EXAMINATION

1st Source's operations in the Kalamazoo-Portage, MI MSA #28020 (Kalamazoo-Portage or Berrien County) received a limited-scope review. The scope of examination consists of a consideration of whether the bank's performance in the assessment area was above, below or consistent with the performance in the full scope assessment areas.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE KALAMAZOO-PORTAGE, MI MSA

The banks' Kalamazoo-Portage MSA assessment area includes Kalamazoo County only, excluding Van Buren County, which is also located in the MSA. The demographic breakdown of the assessment area is as follows: seven low-income census tracts, 11 moderate-income census tract, 26 middle-income census tracts and 13 upper-income census tracts. None of the census tracts are distressed or underserved.

The bank maintains two branches with two full service ATMs in the assessment area. One branch is located in a moderate-income census tract in Kalamazoo, and one branch is located in a middle-income census tract in Portage. The bank neither opened nor closed branches or ATMs in the assessment area during the review period.

According to the FDIC Market Share report, issued June 30, 2017, 1st Source ranks 13th of 15 institutions serving the market with 1.2 percent of the area's deposits. Market leader PNC Bank holds a significantly higher 28.7 percent of deposits and only the top three institutions maintain over ten percent of the market share. The data indicates that the bank is a minor participant in the market and faces reasonable competition from other banks in the assessment area.

1st Source ranks 50th among 263 HMDA reporters serving the MD in 2016. It made 18 loans, far fewer than market leader Lake Michigan CU, which made 967 loans in the assessment area that year. Only the top 20 banks made 100 or more loans in the assessment year, demonstrating a very competitive lending environment. This pattern continues when considering 1st Source's competition among CRA reporters in 2016. The bank ranks 17th of 57 CRA reporters serving the assessment area, having made 48 such loans. Market leader Citibank made 1,165 loans in the assessment area that year. The data indicates that the bank is a minor participant in the Kalamazoo County market.

ASSESSMENT AREA DEMOGRAPHICS

Assessment Area: 2016 Kalamazoo-Portage, MI MSA 28020									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	7	12.3	4,086	6.8	1,657	40.6	12,955	21.6	
Moderate-income	11	19.3	6,928	11.5	1,266	18.3	9,592	16.0	
Middle-income	26	45.6	30,486	50.8	2,861	9.4	12,121	20.2	
Upper-income	13	22.8	18,486	30.8	945	5.1	25,318	42.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	57	100.0	59,986	100.0	6,729	11.2	59,986	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	%	#	%	#	%	
Low-income	9,471	3,192	4.9	33.7	4,941	52.2	1,338	14.1	
Moderate-income	18,534	6,684	10.3	36.1	9,551	51.5	2,299	12.4	
Middle-income	53,979	33,561	51.8	62.2	15,913	29.5	4,505	8.3	
Upper-income	27,249	21,375	33.0	78.4	4,239	15.6	1,635	6.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	109,233	64,812	100.0	59.3	34,644	31.7	9,777	9.0	
	Total Businesses Tract		Businesses by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	684	7.0	557	6.5	122	11.8	5	6.3	
Moderate-income	1,729	17.8	1,460	16.9	253	24.5	16	20.3	
Middle-income	4,749	48.8	4,204	48.8	512	49.5	33	41.8	
Upper-income	2,573	26.4	2,401	27.8	147	14.2	25	31.6	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	9,735	100.0	8,622	100.0	1,034	100.0	79	100.0	
	Percentage of Total Businesses:			88.6		10.6		0.8	
	Total Farms by Tract		Farms by Tract & Revenue Size						
	#	%	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	1	0.5	1	0.5	0	0.0	0	0.0	
Moderate-income	23	10.5	18	9.0	5	26.3	0	0.0	
Middle-income	139	63.2	128	63.7	11	57.9	0	0.0	
Upper-income	57	25.9	54	26.9	3	15.8	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	220	100.0	201	100.0	19	100.0	0	0.0	
	Percentage of Total Farms:			91.4		8.6		0.0	
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's performance was below the overall rating with respect to lending, consistent with the overall rating relative to investments and below the full scope assessment areas with respect to services. It did not perform as well in Kalamazoo-Portage relative to geographic and borrower distribution, responsiveness to low-income individuals and very small businesses or community development lending. Nor did it perform as well as the full scope assessment areas relative to accessibility and reasonableness of business hours and services: the branch in the moderate-income census tract was open for fewer hours than was the branch in the middle-income census tract and it had no drive thru service while the branch in the middle-income census tract did.

Assessment Area	Lending Test	Investment Test	Service Test
Kalamazoo-Portage, MI MSA #28020	Below	Consistent	Below

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Kalamazoo-Portage, MI MSA 28020								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2016						
		Count		Dollar		Agg		
		Bank	Agg	Bank	Agg	Bank	Agg	
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	1.7	0	0.0	0.8	4.9
	Moderate	3	60.0	10.7	551	55.3	6.1	10.3
	Middle	0	0.0	51.5	0	0.0	43.5	51.8
	Upper	2	40.0	36.1	446	44.7	49.6	33.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		5	100.0	100.0	997	100.0	100.0
Refinance	Low	0	0.0	1.1	0	0.0	0.4	4.9
	Moderate	0	0.0	7.0	0	0.0	4.1	10.3
	Middle	2	20.0	48.5	530	16.3	38.9	51.8
	Upper	8	80.0	43.4	2,712	83.7	56.6	33.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		10	100.0	100.0	3,242	100.0	100.0
Home Improvement	Low	0	0.0	4.2	0	0.0	1.8	4.9
	Moderate	0	0.0	10.4	0	0.0	6.6	10.3
	Middle	1	50.0	51.2	150	26.5	37.2	51.8
	Upper	1	50.0	34.3	417	73.5	54.4	33.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		2	100.0	100.0	567	100.0	100.0
Multi-Family	Low	1	100.0	10.3	832	100.0	14.9	9.9
	Moderate	0	0.0	24.1	0	0.0	25.6	27.1
	Middle	0	0.0	41.4	0	0.0	41.1	51.6
	Upper	0	0.0	24.1	0	0.0	18.4	11.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		1	100.0	100.0	832	100.0	100.0
HMDA Totals	Low	1	5.6	1.6	832	14.8	1.7	4.9
	Moderate	3	16.7	9.2	551	9.8	6.9	10.3
	Middle	3	16.7	50.2	680	12.1	41.4	51.8
	Upper	11	61.1	38.9	3,575	63.4	50.0	33.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total		18	100.0	100.0	5,638	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of Small Business Loans								
Assessment Area: 2016 Kalamazoo-Portage, MI MSA 28020								
	Tract Income Levels	Bank & Aggregate Lending Comparison						Total Businesses
		2016			2016			
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$ (000s)	\$ %					
Small Business	Low	2	4.2	5.6	89	1.1	7.6	7.0
	Moderate	8	16.7	14.9	1,306	15.7	18.3	17.8
	Middle	23	47.9	45.7	3,871	46.5	46.4	48.8
	Upper	15	31.3	32.9	3,057	36.7	27.4	26.4
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Tr Unknown			0.9			0.3	
	Total		48	100.0	100.0	8,323	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2016 Kalamazoo-Portage, MI MSA 28020								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2016						
		Count		Dollar		Agg		
		Bank #	%	Agg %	Bank \$(000s)	\$ %	Agg \$ %	
Home Purchase	Low	0	0.0	8.0	0	0.0	3.9	21.6
	Moderate	2	40.0	20.9	150	15.0	13.9	16.0
	Middle	0	0.0	22.0	0	0.0	19.5	20.2
	Upper	3	60.0	35.2	847	85.0	50.4	42.2
	Unknown	0	0.0	13.9	0	0.0	12.3	0.0
	Total		5	100.0	100.0	997	100.0	100.0
Refinance	Low	0	0.0	5.4	0	0.0	2.6	21.6
	Moderate	1	10.0	13.4	61	1.9	8.4	16.0
	Middle	0	0.0	17.9	0	0.0	13.6	20.2
	Upper	9	90.0	45.7	3,181	98.1	59.0	42.2
	Unknown	0	0.0	17.6	0	0.0	16.4	0.0
	Total		10	100.0	100.0	3,242	100.0	100.0
Home Improvement	Low	0	0.0	8.1	0	0.0	4.7	21.6
	Moderate	0	0.0	17.6	0	0.0	8.5	16.0
	Middle	0	0.0	29.2	0	0.0	21.0	20.2
	Upper	2	100.0	42.6	567	100.0	61.5	42.2
	Unknown	0	0.0	2.5	0	0.0	4.4	0.0
	Total		2	100.0	100.0	567	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.6
	Moderate	0	0.0	0.0	0	0.0	0.0	16.0
	Middle	0	0.0	0.0	0	0.0	0.0	20.2
	Upper	0	0.0	0.0	0	0.0	0.0	42.2
	Unknown	1	100.0	100.0	832	100.0	100.0	0.0
	Total		1	100.0	100.0	832	100.0	100.0
HMDA Totals	Low	0	0.0	6.9	0	0.0	3.1	21.6
	Moderate	3	16.7	17.6	211	3.7	10.7	16.0
	Middle	0	0.0	20.7	0	0.0	15.8	20.2
	Upper	14	77.8	39.7	4,595	81.5	50.0	42.2
	Unknown	1	5.6	15.1	832	14.8	20.4	0.0
	Total		18	100.0	100.0	5,638	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size									
Assessment Area: 2016 Kalamazoo-Portage, MI MSA 28020									
Product Type		Bank & Aggregate Lending Comparison							
		2016			2016			Total Businesses	
		Count		Agg	Dollar		Agg		
#	%	%	\$ 000s	\$ %	\$ %	%			
							Small Business	Revenue	\$1 Million or Less
Over \$1 Million or Unknown	33	68.8	57.2	6,823	82.0	66.8			11.4
Total		48	100.0	100.0	8,323	100.0		100.0	100.0
Loan Size	\$100,000 or Less	22	45.8	88.5	1,084	13.0		28.5	
	\$100,001 - \$250,000	16	33.3	5.3	2,940	35.3	16.2		
	\$250,001 - \$1 Million	10	20.8	6.2	4,299	51.7	55.3		
	Total	48	100.0	100.0	8,323	100.0	100.0		
Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	9	60.0		393	26.2			
	\$100,001 - \$250,000	5	33.3		765	51.0			
	\$250,001 - \$1 Million	1	6.7		342	22.8			
	Total	15	100.0		1,500	100.0			

Originations & Purchases
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS
Note: Percentages may not add to 100.0 percent due to rounding

Qualified Community Development Loans											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Kalamazoo-Portage, MI MSA #28020	1	832	0	0	2	6,240	2	1,235	5	8,307	100.0

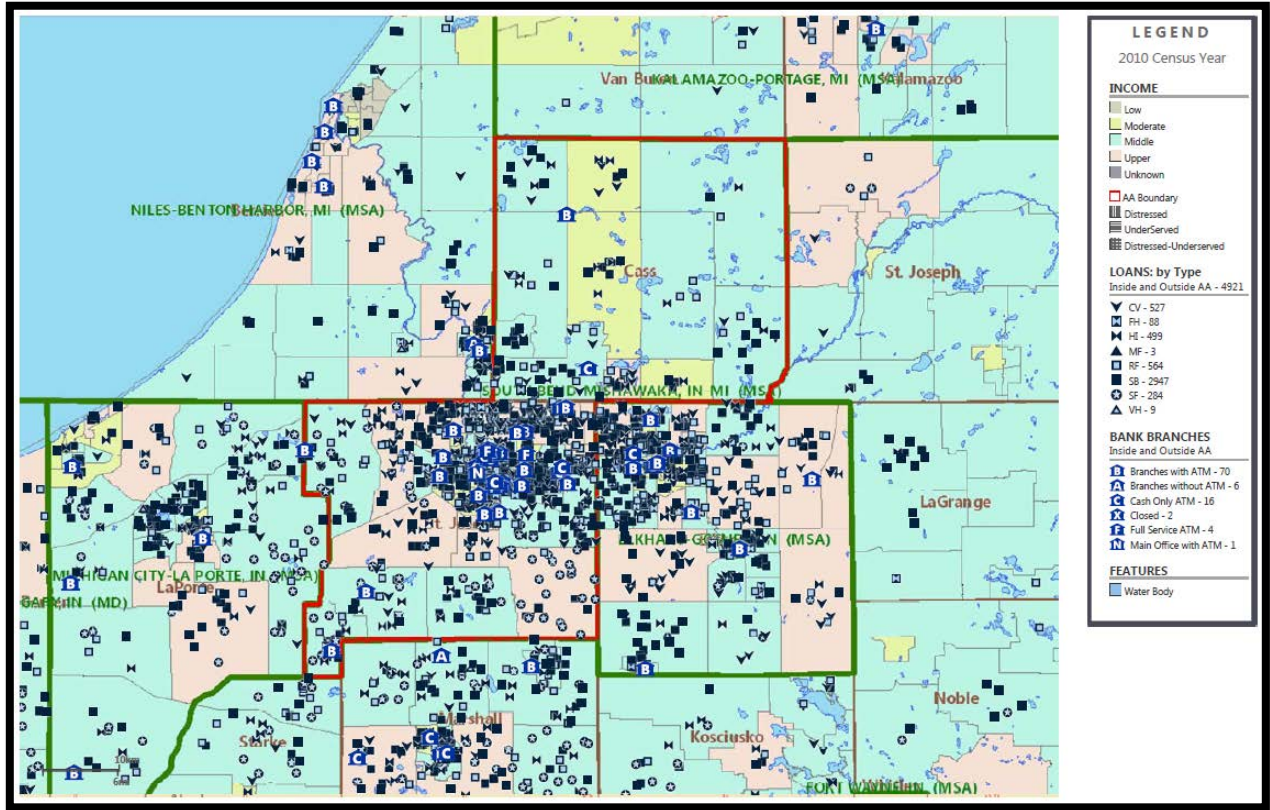
Qualified Community Development Investments											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Kalamazoo-Portage, MI MSA #28020	40	9,827	0	0	0	0	0	0	40	9,827	100.0

Qualified Community Development Donations											
Assessment Area	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Services		Total		
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	% of Total \$
Kalamazoo-Portage, MI MSA #28020	1	1	8	21	2	15	13	20	24	57	100.0

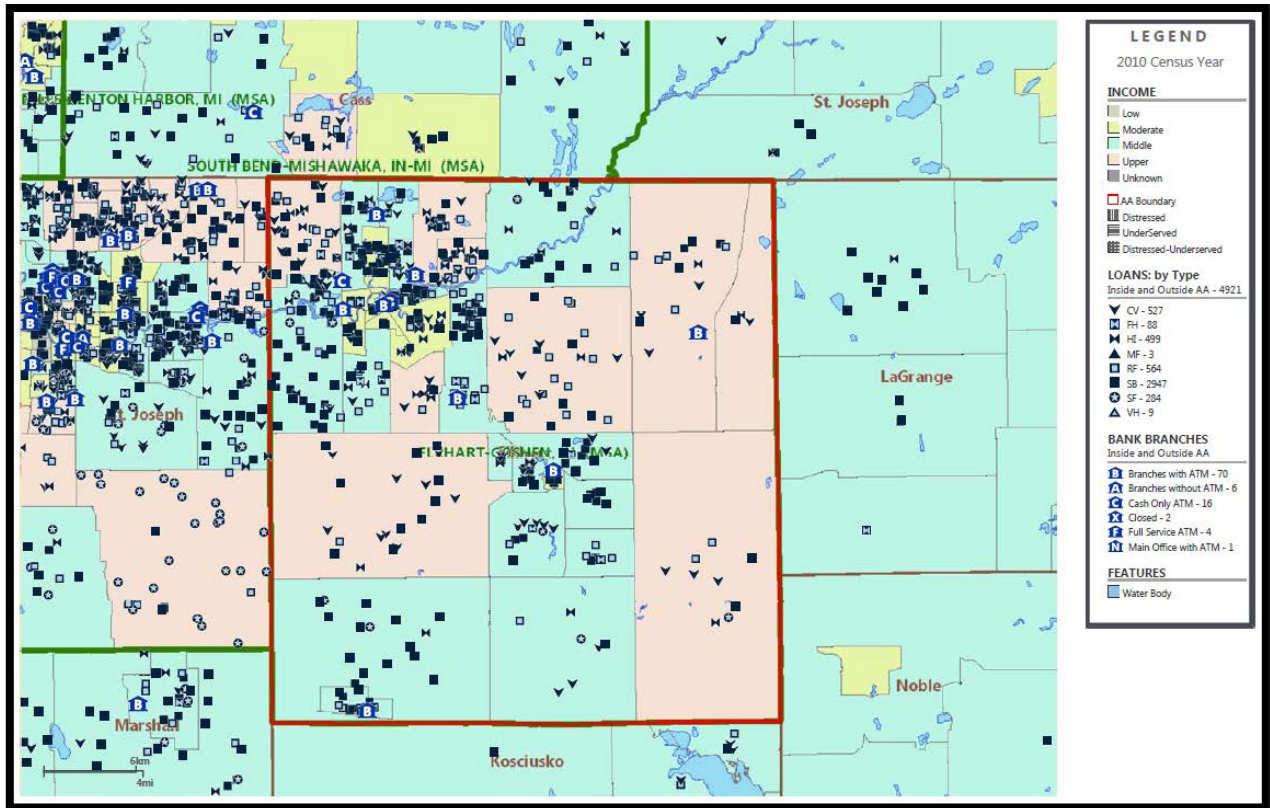
Qualified Community Development Services						
Assessment Area	Affordable Housing	Economic Development	Revitalization and Stabilization	Community Services	Total	
	# of Hours	# of Hours	# of Hours	# of Hours	# of Hours	% of Total Hours
Kalamazoo-Portage, MI MSA #28020	3	6	4	402	415	100.0

APPENDIX A- Assessment Area Maps

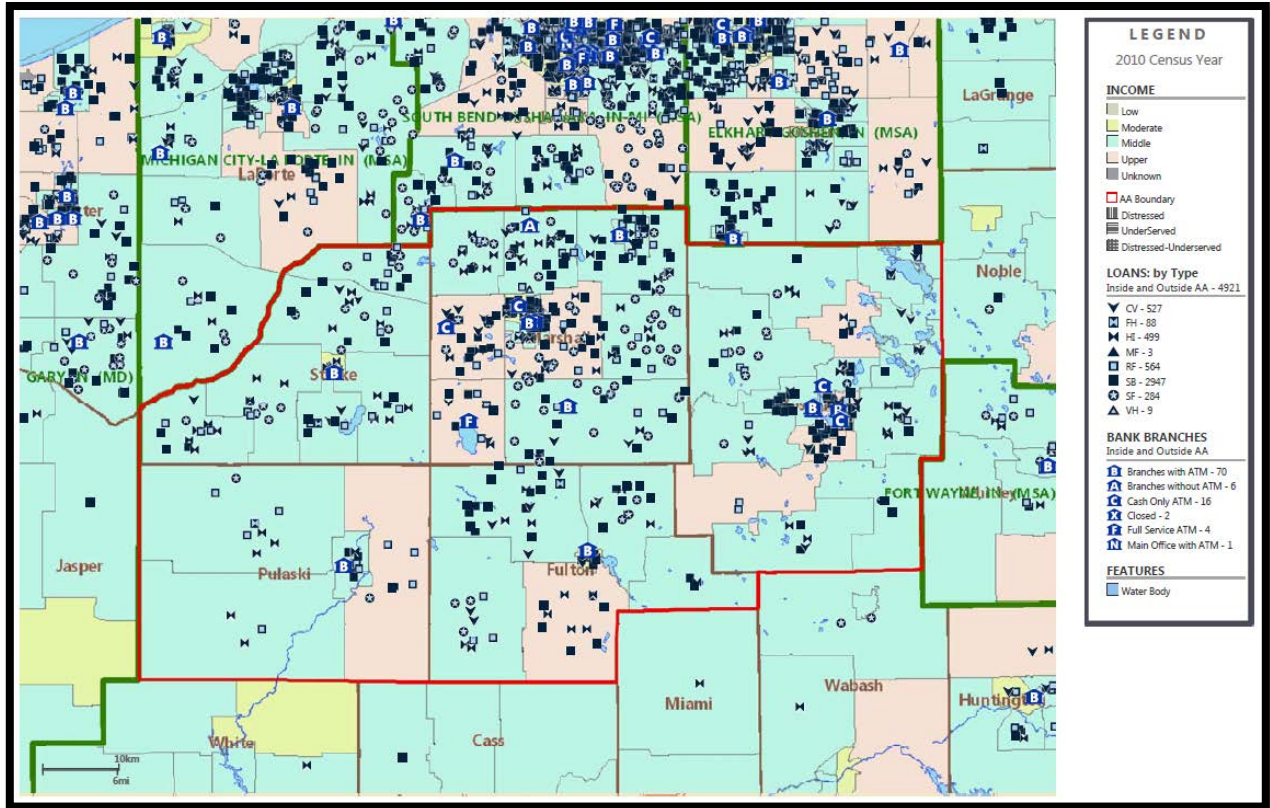
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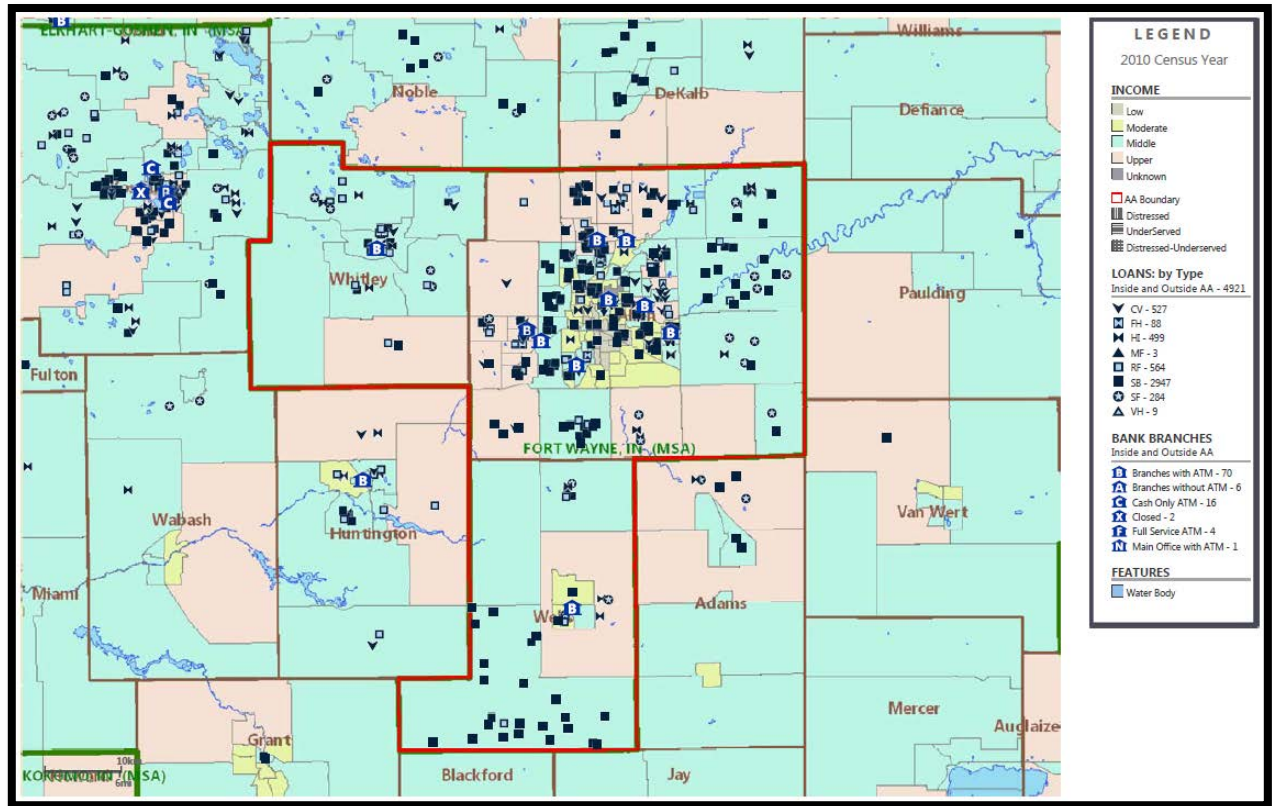
Elkhart-Goshen, IN MSA #21140



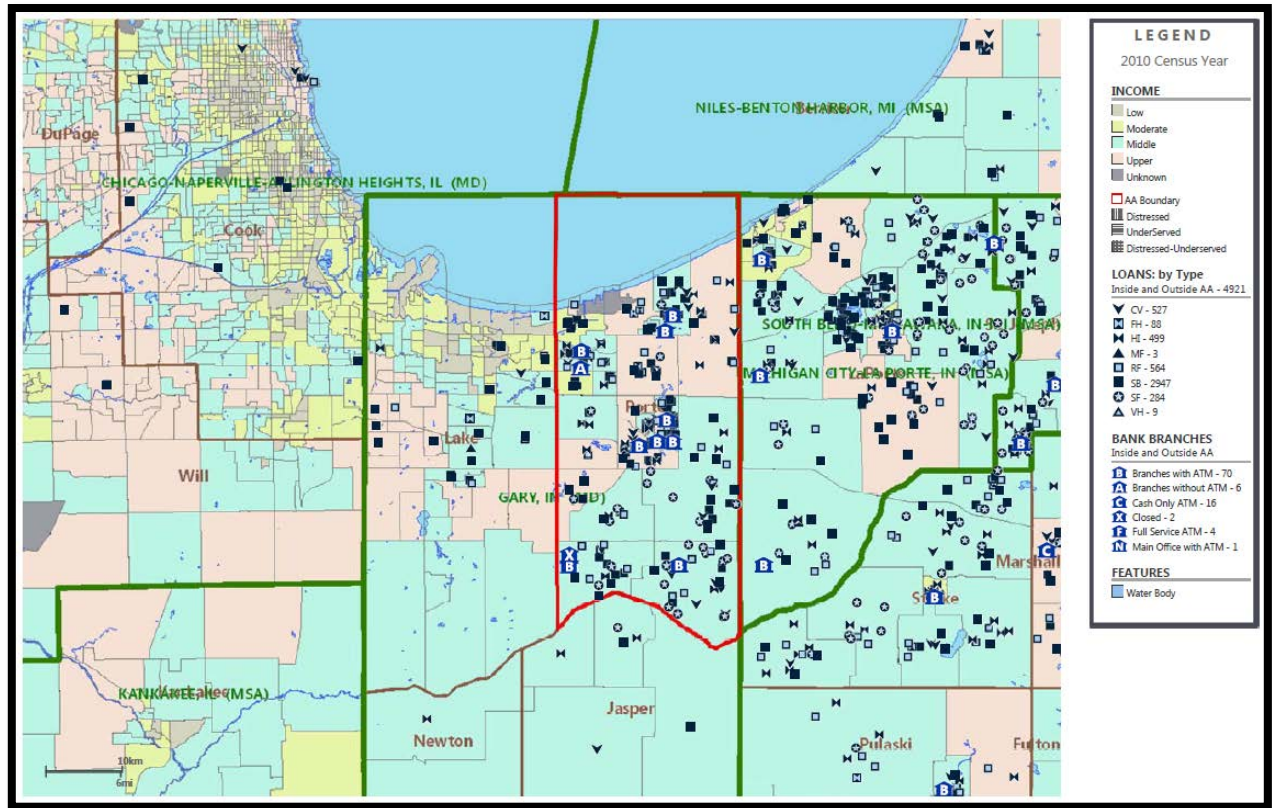
Non MSA Indiana Western



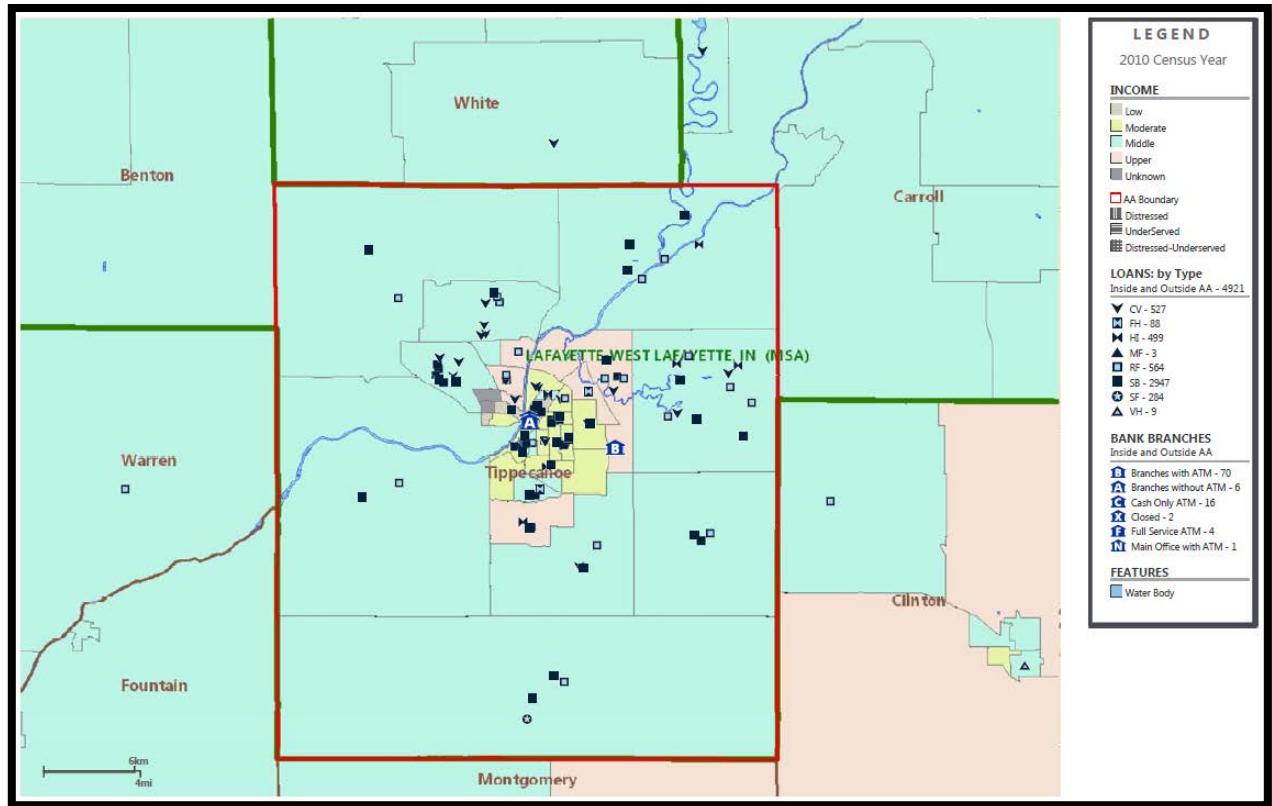
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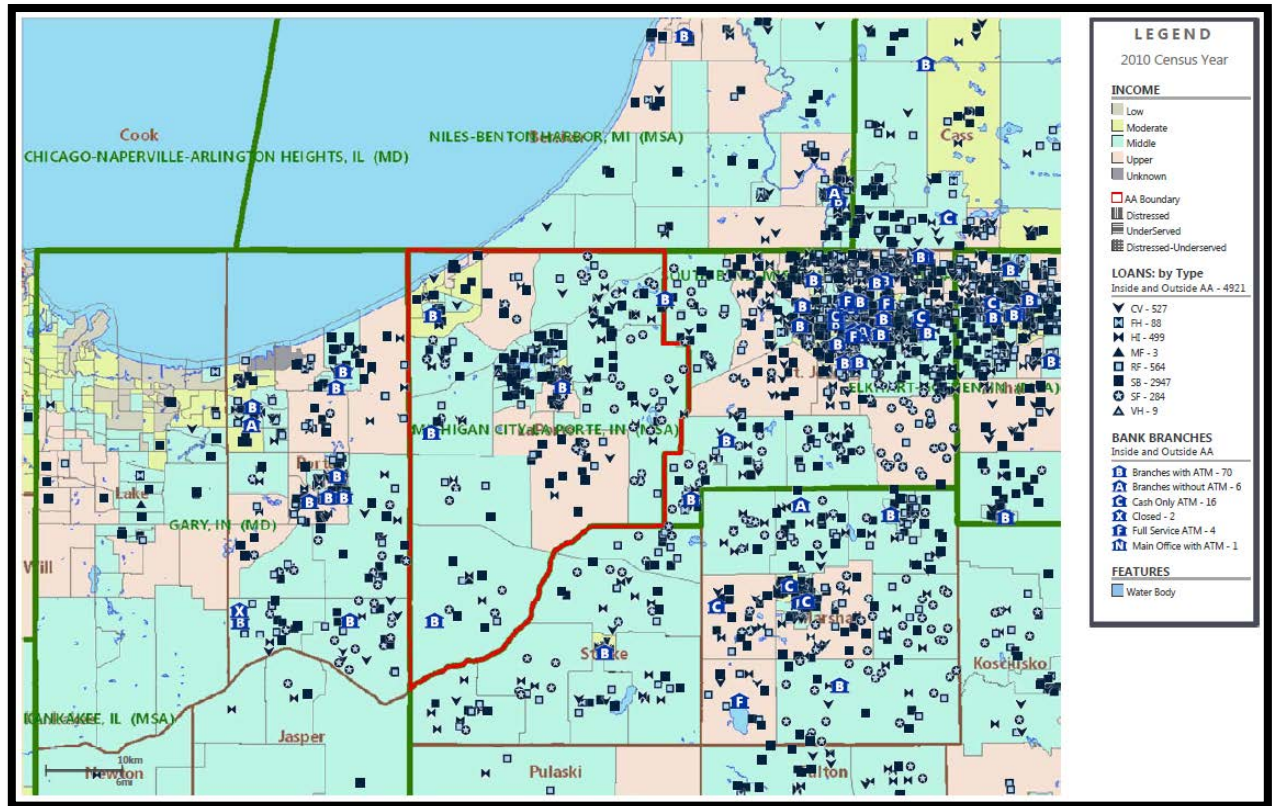
Gary, IN MD #23844



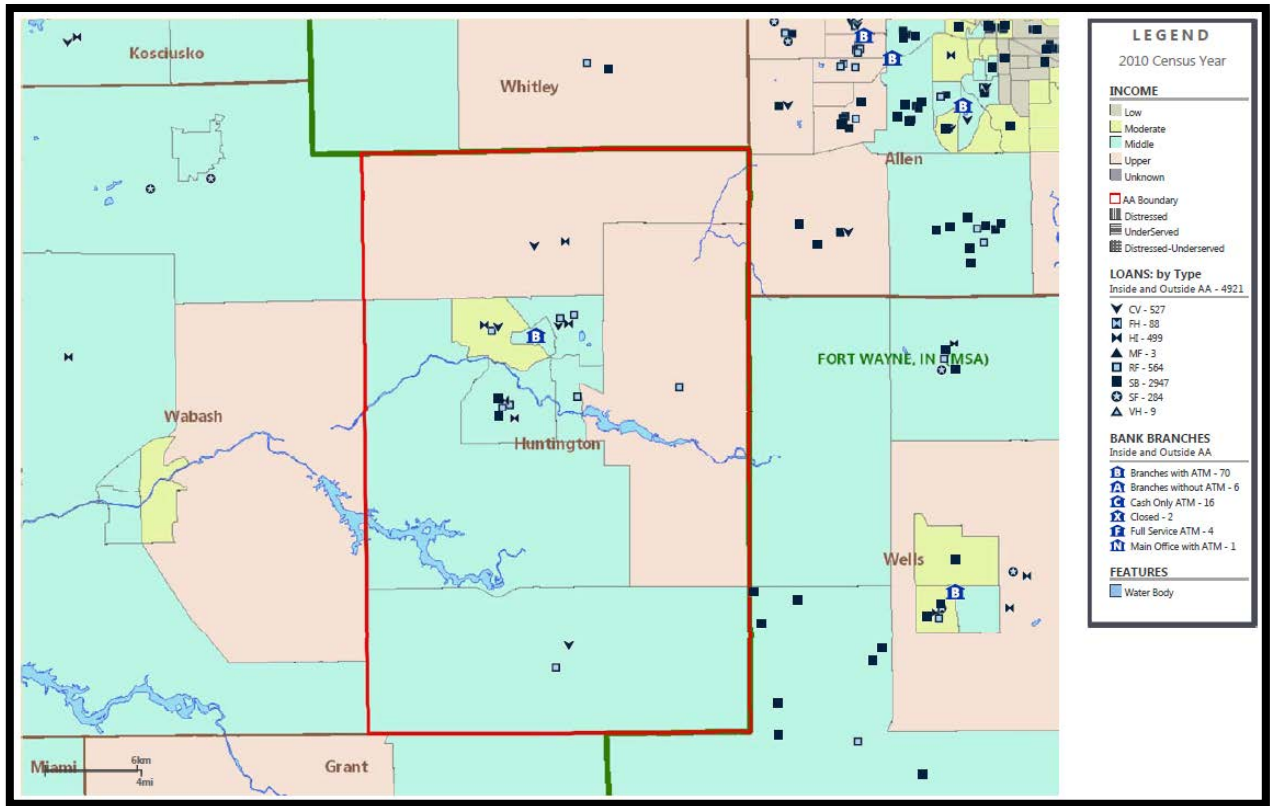
Lafayette-West Lafayette, IN MSA #29200



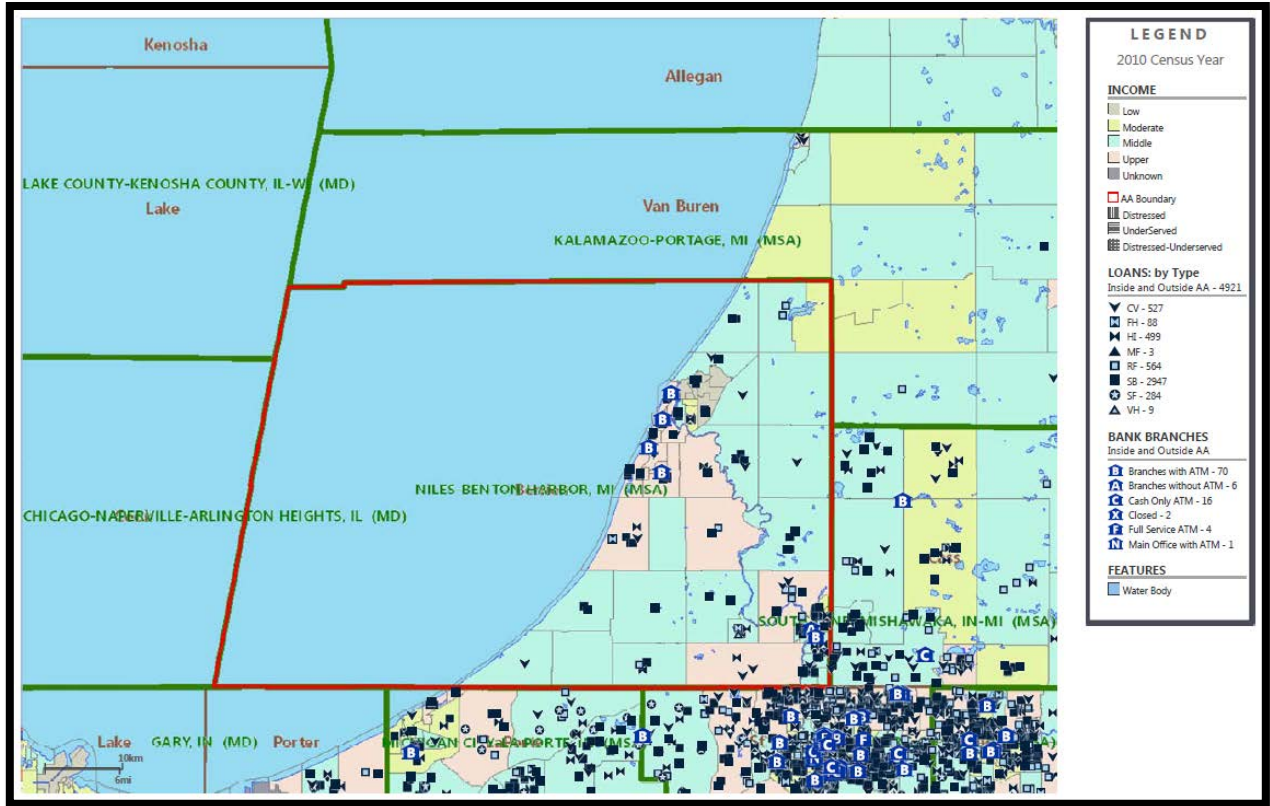
Michigan City-La Porte, IN MSA #33140



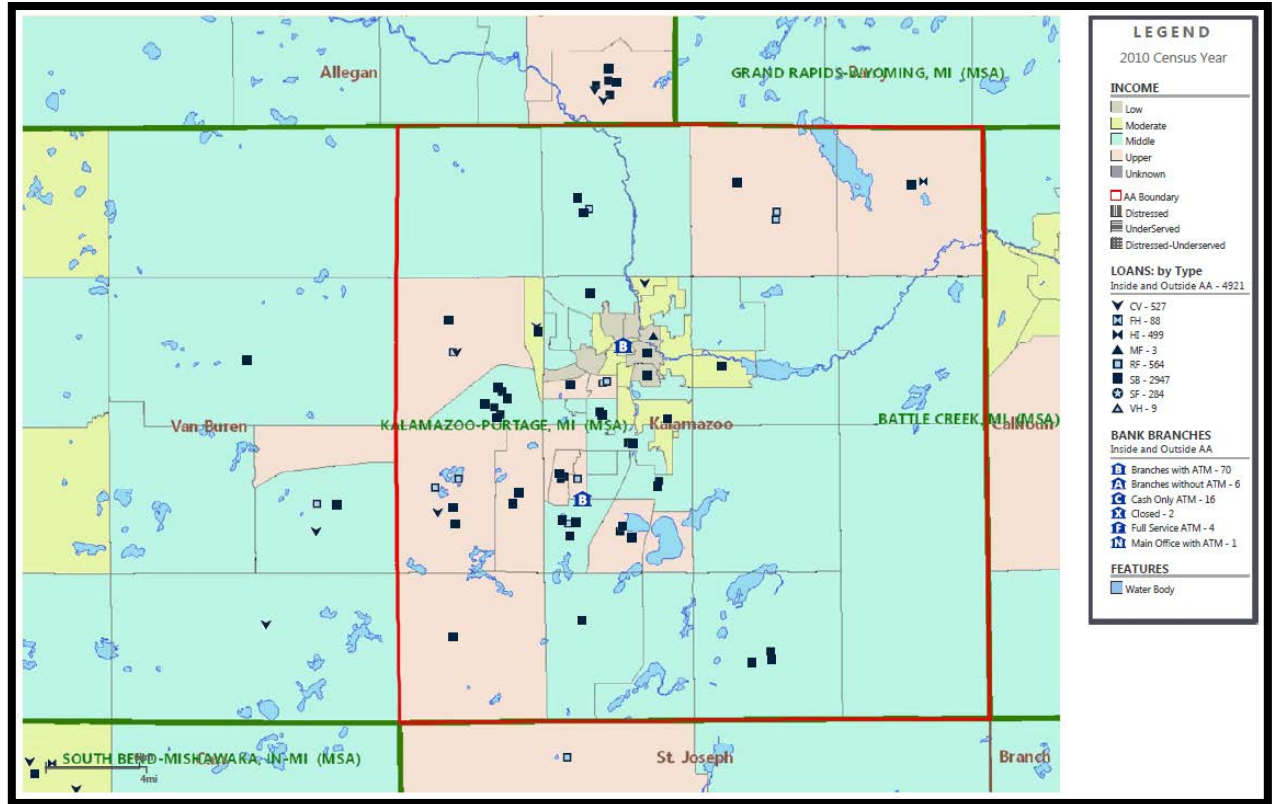
Non MSA Indiana Eastern



Niles-Benton Harbor, MI MSA #35660



Kalamazoo-Portage, MI MSA #28020



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Lending: 2016 Community Development Activity: February 23, 2016 to June 18, 2018		
FINANCIAL INSTITUTION 1 st Source Bank			PRODUCTS REVIEWED HMDA-reportable loans Small business loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
INDIANA South Bend-Mishawaka, IN-MI MSA #43780 Elkhart-Goshen, IN MSA #21140 Non MSA IN Western Ft. Wayne, IN MSA #23060	Full Scope Review Full Scope Review Full Scope Review Limited Scope Review	None	N/A

Gary, IN MD #23844	Limited Scope Review		
Lafayette-West Lafayette, IN MSA #29200	Limited Scope Review		
Michigan City- La Porte, IN MSA #33140	Limited Scope Review		
Non MSA IN Eastern	Limited Scope Review		
MICHIGAN		None	N/A
Niles-Benton Harbor, MI #35660	Full Scope Review		
Kalamazoo-Portage, MI MSA #28020	Limited Scope Review		

APPENDIX C – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office (LPO): This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).