



INDEPENDENT ALLIANCE BANKS

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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES SECOND QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., July 16, 2015 – Independent Alliance Banks, Inc. (IAB), the holding company of iAB Financial Bank, announced second quarter financial performance as of June 30, 2015.

Net income for the first six months of 2015 was up 9 percent to \$4.3 million compared to \$3.9 million in 2014, mainly due to lower interest and provision expense recorded in 2015 compared to 2014 second quarter. Fee income was also up 8 percent for the same period. For the first six months of 2015, earnings per share was \$1.04 versus \$0.96 last year. Net income for the second quarter of 2015 was unchanged at \$2.2 million, compared to the same time period in 2014.

Our second quarter highlights include:

- \$66 million increase in period-end total assets in 2015 vs 2014
- .76% nonperforming assets to total assets – a continued reduction compared to .86% in 2014
- \$30 million or 4.5% increase in total loans over June 30, 2014
- \$31 million or 4% increase in total deposits over June 30, 2014
- \$0.21 per share quarterly cash dividend was paid equating to an approximate 3.2% annualized return
- Solid capital base for future growth with total equity at \$114 million and a total risk-based capital ratio of 15.3%

“We are pleased with positive earnings levels that have been consistent for our company over the years. Our team is doing a great job of developing new and enhanced relationships with customers leading to new growth opportunities for IAB. We are excited about our overall performance and anticipate a good year,” stated Mike Marhenke, President and Chief Executive Officer of IAB.

Independent Alliance Banks, Inc., is a financial services holding company for iAB Financial Bank. iAB Financial Bank, one of the largest locally-owned banks serving this community for nearly 70 years, employs approximately 290 people throughout Allen, Huntington, Marshall and Wells counties.

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Consolidated Balance SheetsAt June 30, 2015 and December 31, 2014
(unaudited)

	June 30, 2015	December 31, 2014
ASSETS		
Cash & due from banks		
Noninterest bearing		
Interest-bearing	\$ 6,437,609	\$ 7,170,996
Total cash and cash equivalents	30,886,157	30,681,680
Cerificates of deposit	37,323,766	37,852,676
Available-for-sale investment securities	12,283,936	14,197,358
Loans held for sale	220,553,792	190,707,179
Loans	1,354,910	644,326
Allowance for loan losses	693,865,157	657,113,843
Loans, net	(10,508,375)	(10,057,203)
Buildings and equipment (net)	683,356,782	647,056,640
Federal Home Loan Bank stock	12,495,406	12,421,589
Insurance contracts	4,382,800	5,738,300
Goodwill and core deposit intangible	25,853,578	25,445,578
Other assets	15,164,198	13,855,664
Total assets	\$ 1,026,552,082	\$ 960,796,148
LIABILITIES		
Deposits		
Noninterest bearing	\$ 178,045,548	\$ 175,764,861
Interest bearing	606,841,626	553,582,457
Total deposits	784,887,174	729,347,318
Short-term borrowings	17,405,685	11,331,274
FHLB advances	88,000,000	87,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	11,926,785	9,923,870
Total liabilities	912,529,644	847,912,462
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,490,758	37,310,758
Retained earnings	84,368,088	81,833,617
Treasury stock	(9,299,196)	(8,954,128)
Accumulated other comprehensive income, net of tax	1,462,788	2,693,439
Total stockholders' equity	114,022,438	112,883,686
Total liabilities and stockholders' equity	\$ 1,026,552,082	\$ 960,796,148

Consolidated Statements of OperationsFor the three and six months ended June 30, 2015 and 2014
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest Income:				
Loans	\$ 7,384,305	\$ 7,538,968	\$ 14,796,145	\$ 14,871,423
Investment securities:				
Taxable	435,645	331,340	877,995	649,700
Tax exempt	764,674	748,924	1,493,849	1,511,022
Dividend income and other	120,912	115,695	237,980	243,823
Total interest income	8,705,536	8,734,927	17,405,969	17,275,968
Interest Expense:				
Deposits	649,703	882,572	1,265,365	1,773,534
Short-term borrowings	3,314	8,515	7,186	21,677
FHLB advances	373,775	499,118	765,099	1,017,324
Junior subordinated debt	74,775	73,500	147,825	144,900
Total interest expense	1,101,567	1,463,705	2,185,475	2,957,435
Net interest income	7,603,969	7,271,222	15,220,494	14,318,533
Provision for Loan Losses	324,000	450,000	540,000	900,000
Net Interest Income after Provision for Loan Losses	7,279,969	6,821,222	14,680,494	13,418,533
Other Income:				
Service charges on deposit accounts	428,547	431,909	808,774	823,775
Service charges on loans	67,644	100,562	124,556	168,574
Income from sale of loans	271,442	139,301	556,601	222,411
Fiduciary and other nontraditional activities	431,258	532,745	848,313	940,731
Net realized gains (losses) on sale of assets	108,377	1,799	108,377	52,158
Income from life insurance contracts	204,000	219,000	408,000	426,000
Other	555,246	444,084	937,083	872,154
Total other income	2,066,514	1,869,400	3,791,704	3,505,803
Other Expenses:				
Salaries and employee benefits	3,918,292	3,670,050	7,906,628	7,388,571
Net occupancy and equipment	992,492	905,092	1,956,000	1,842,145
Printing and office supplies	188,993	141,152	359,504	308,429
Legal, professional and other fees	640,448	463,042	1,166,797	951,895
Marketing	204,630	195,475	369,731	378,354
Business development	176,467	186,513	353,320	336,265
FDIC insurance	158,730	175,417	305,503	335,901
Other	526,740	396,559	1,057,579	931,995
Total other expenses	6,806,792	6,133,300	13,475,062	12,473,555
Income Before Income Taxes	2,539,691	2,557,322	4,997,136	4,450,781
Income Taxes	372,979	384,649	741,392	553,562
Net Income	\$ 2,166,712	\$ 2,172,673	\$ 4,255,744	\$ 3,897,219
Earnings Per Common Share	\$ 0.53	\$ 0.54	\$ 1.04	\$ 0.96
Average common shares outstanding	4,094,186	4,043,931	4,096,136	4,047,255

Consolidated Financial Highlights

Second Quarter 2015

(unaudited)

	Quarterly Trends					Year-To-Date	
	2nd Qtr 2015	1st Qtr 2015	4th Qtr 2014	3rd Qtr 2014	2nd Qtr 2014	6 mo 2015	6 mo 2014
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 7,604	7,616	7,704	7,847	7,271	15,220	14,318
Provision for loan loss	\$ 324	216	(150)	450	450	540	900
Other income	\$ 2,066	1,725	1,813	2,100	1,869	3,792	3,506
Other expense	\$ 6,806	6,668	6,047	6,194	6,133	13,475	12,473
Pretax income	\$ 2,540	2,457	3,620	3,303	2,557	4,997	4,451
Taxes	\$ 373	368	809	702	384	741	554
Net income	\$ 2,167	2,089	2,811	2,601	2,173	4,256	3,897
Earnings per share	\$ 0.53	0.51	0.69	0.64	0.54	1.04	0.96
PERFORMANCE RATIOS							
Return on average assets *	0.83%	0.84%	1.14%	1.07%	0.89%	0.83%	0.82%
Return on average equity *	7.57%	7.41%	9.94%	9.37%	8.11%	7.49%	7.37%
Net interest margin (fully-tax equivalent) *	3.30%	3.46%	3.54%	3.66%	3.40%	3.38%	3.43%
Fee income as % of total revenue	21.4%	18.5%	19.1%	21.1%	20.4%	19.9%	19.7%
Efficiency ratio	70.38%	71.38%	63.54%	62.27%	67.10%	70.88%	69.98%
CAPITAL							
Tier 1 leverage capital ratio	10.48%	10.67%	11.06%	11.05%	10.55%	10.48%	10.55%
Common equity risk-based capital ratio	12.73%	12.74%				12.73%	
Tier 1 risk-based capital ratio	14.05%	14.08%	14.85%	14.69%	14.03%	14.05%	14.03%
Total risk-based capital ratio	15.30%	15.33%	16.10%	15.94%	15.29%	15.30%	15.29%
Book value per share	\$ 27.87	27.96	27.56	27.09	26.79	27.87	26.79
Tangible book value per share	\$ 24.17	24.26	24.17	23.71	23.36	24.17	23.36
Outstanding shares	4,090,633	4,097,880	4,096,639	4,102,610	4,042,107	4,090,633	4,042,107
Average outstanding shares	4,094,186	4,098,086	4,099,708	4,074,665	4,043,931	4,096,136	4,047,255
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 68	21	143	8	558	89	931
Net charge-offs to average loans *	0.04%	0.01%	0.09%	0.00%	0.34%	0.03%	0.29%
Allowance for loan losses	\$ 10,508	10,252	10,057	10,350	9,908	10,508	9,908
Allowance for loan losses to total loans	1.51%	1.49%	1.53%	1.58%	1.49%	1.51%	1.49%
Nonperforming loans	\$ 6,713	5,529	5,374	6,899	6,687	6,713	6,687
Other real estate owned	\$ 1,125	1,212	1,444	1,429	1,590	1,125	1,590
Nonperforming loans to total loans	0.97%	0.80%	0.82%	1.06%	1.01%	0.97%	1.01%
Nonperforming assets to total assets	0.76%	0.65%	0.71%	0.88%	0.86%	0.76%	0.86%
END OF PERIOD BALANCES							
Assets	\$ 1,026,552	1,029,168	960,796	947,513	961,023	1,026,552	961,023
Total S/T and L/T Investments	\$ 269,461	267,280	240,131	230,395	233,280	269,461	233,280
Total Loans	\$ 693,865	688,986	657,114	653,541	664,152	693,865	664,152
Deposits	\$ 784,887	802,162	729,347	745,136	753,837	784,887	753,837
Borrowings	\$ 115,716	100,114	108,641	82,045	90,029	115,716	90,029
Shareholders' equity	\$ 114,022	114,586	112,884	111,135	108,298	114,022	108,298
AVERAGE BALANCES							
Assets	\$ 1,043,757	1,013,153	974,753	960,024	975,134	1,028,541	959,050
Total S/T and L/T Investments	\$ 290,769	272,153	254,589	236,443	253,557	281,519	241,168
Total Loans	\$ 688,327	673,054	657,088	659,930	656,375	680,732	652,826
Deposits	\$ 813,910	771,882	761,966	753,810	750,998	792,984	731,054
Borrowings	\$ 102,996	112,685	91,074	87,165	108,130	107,836	112,446
Shareholders' equity	\$ 114,824	114,375	112,213	110,091	107,506	114,602	106,656
STOCK VALUATION							
Closing Market Price (OTCQB)	\$ 26.50	25.95	25.00	23.30	23.80	26.50	23.80
Dividend Paid	\$ 0.21	0.21	0.21	0.21	0.21	0.42	0.42
Dividend Yield *	3.17%	3.24%	3.36%	3.61%	3.53%	3.17%	3.53%
LTM P/E Ratio	11.2	10.9	10.9	10.9	12.0	11.2	12.0
% of Tangible Book Value	109.7%	107.0%	103.4%	98.3%	101.9%	109.7%	101.9%

* annualized with quarterly data