



INDEPENDENT ALLIANCE BANKS

118 East Ludwig Road
Fort Wayne, IN 46825

FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES THIRD QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., October 22, 2015 – Independent Alliance Banks, Inc. (OTCQX: IALB) (IAB), the holding company of iAB Financial Bank, announced third quarter financial performance as of September 30, 2015. Third quarter financial performance resulted in net income of \$2.7 million, compared to \$2.6 million during the same period in 2014. Net income for the first nine months of 2015 was \$6.9 million, compared to \$6.5 million in 2014, an increase of 6.7 percent. For the first nine months of 2015, earnings per share were \$1.69 versus \$1.60 last year. Earnings per share was \$.66 for the third quarter of 2015, compared to \$.64 during the same time in 2014.

Our quarterly highlights:

- Third quarter earnings reflected the highest quarterly results of the year.
- Total loans grew to \$695 million in third quarter 2015 compared to \$657 at year-end 2014.
- Total deposits increased 12 percent to \$820 million in third quarter 2015 compared to \$729 at year-end 2014.
- Non-performing assets at September 30, 2015 as a percent of assets was 0.6%, the lowest level in nearly 10 years.
- IAB's capital structure remains well positioned for future growth with total equity at \$117 million and a total risk-based capital ratio of 15.6 percent.
- Our shareholders realized an annualized dividend yield of approximately 3.20 percent with a \$0.21 per share quarterly cash dividend.

“Our continued steady financial performance and strong credit and capital positions can be attributed to the company’s commitment to our strategic initiatives by a dedicated, strong team of banking professionals,” stated Mike Marhenke, President and Chief Executive Officer of IAB.

Independent Alliance Banks, Inc., established in 2005, 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 285 people throughout Allen, Huntington, Marshall and Wells counties.

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

	September 30, 2015	December 31, 2014
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 6,844,947	\$ 7,170,996
Interest-bearing	35,577,687	30,681,680
Total cash and cash equivalents	42,422,634	37,852,676
Certificates of deposit	14,500,006	14,197,358
Available-for-sale investment securities	224,570,411	190,707,179
Loans held for sale	467,777	644,326
Loans	694,747,574	657,113,843
Allowance for loan losses	(10,260,638)	(10,057,203)
Loans, net	684,486,936	647,056,640
Buildings and equipment (net)	12,284,409	12,421,589
Federal Home Loan Bank stock	4,382,800	5,738,300
Insurance contracts	26,057,578	25,445,578
Goodwill and core deposit intangible	15,150,488	13,855,664
Other assets	14,200,335	12,876,838
Total assets	<u>\$ 1,038,523,374</u>	<u>\$ 960,796,148</u>
LIABILITIES		
Deposits		
Noninterest bearing	\$ 193,497,853	\$ 175,764,861
Interest bearing	626,442,727	553,582,457
Total deposits	819,940,580	729,347,318
Short-term borrowings	10,971,345	11,331,274
FHLB advances	68,000,000	87,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	12,482,823	9,923,870
Total liabilities	921,704,748	847,912,462
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,490,758	37,310,758
Retained earnings	86,188,100	81,833,617
Treasury stock	(9,404,261)	(8,954,128)
Accumulated other comprehensive income, net of tax	2,544,029	2,693,439
Total stockholders' equity	116,818,626	112,883,686
Total liabilities and stockholders' equity	<u>\$ 1,038,523,374</u>	<u>\$ 960,796,148</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Interest Income:				
Loans	\$ 7,475,870	\$ 7,845,858	\$ 22,272,015	\$ 22,717,281
Investment securities:				
Taxable	442,034	370,527	1,320,029	1,020,227
Tax exempt	783,633	727,990	2,277,482	2,239,012
Dividend income and other	125,451	122,551	363,431	366,374
Total interest income	8,826,988	9,066,926	26,232,957	26,342,894
Interest Expense:				
Deposits	628,703	718,737	1,894,068	2,492,271
Short-term borrowings	3,602	4,383	10,788	26,060
FHLB advances	373,738	422,113	1,138,837	1,439,437
Junior subordinated debt	75,900	74,500	223,725	219,400
Total interest expense	1,081,943	1,219,733	3,267,418	4,177,168
Net interest income	7,745,045	7,847,193	22,965,539	22,165,726
Provision for Loan Losses	(150,000)	450,000	390,000	1,350,000
Net Interest Income after Provision for Loan Losses	7,895,045	7,397,193	22,575,539	20,815,726
Other Income:				
Service charges on deposit accounts	434,876	451,184	1,243,650	1,274,959
Service charges on loans	101,105	62,796	225,661	231,370
Income from sale of loans	270,394	316,237	826,995	538,648
Fiduciary and other nontraditional activities	524,752	585,153	1,373,065	1,525,884
Net realized gains (losses) on sale of assets	3,653	80,949	112,030	133,107
Income from life insurance contracts	204,000	219,000	612,000	645,000
Other	414,360	385,179	1,351,443	1,257,333
Total other income	1,953,140	2,100,498	5,744,844	5,606,301
Other Expenses:				
Salaries and employee benefits	3,923,939	3,785,099	11,830,567	11,173,670
Net occupancy and equipment	900,239	874,030	2,856,239	2,716,175
Printing and office supplies	140,655	147,697	500,159	456,126
Legal, professional and other fees	613,605	591,155	1,780,402	1,543,050
Marketing	127,928	133,807	497,659	512,161
Business development	171,512	184,879	524,832	521,144
FDIC insurance	159,205	162,864	464,708	498,765
Other	426,289	315,922	1,483,868	1,247,917
Total other expenses	6,463,372	6,195,453	19,938,434	18,669,008
Income Before Income Taxes	3,384,813	3,302,238	8,381,949	7,753,019
Income Taxes	706,244	701,576	1,447,636	1,255,138
Net Income	\$ 2,678,569	\$ 2,600,662	\$ 6,934,313	\$ 6,497,881
Earnings Per Common Share	\$ 0.66	\$ 0.64	\$ 1.69	\$ 1.60
Average common shares outstanding	4,087,899	4,074,665	4,093,391	4,056,391

Consolidated Financial Highlights

Third Quarter 2015

(unaudited)

	Quarterly				Year-To-Date		
	3rd Qtr 2015	2nd Qtr 2015	1st Qtr 2015	4th Qtr 2014	3rd Qtr 2014	9 mo 2015	9 mo 2014
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 7,745	7,604	7,616	7,704	7,847	22,965	22,166
Provision for loan loss	\$ (150)	324	216	(150)	450	390	1,350
Other income	\$ 1,953	2,066	1,725	1,813	2,100	5,745	5,606
Other expense	\$ 6,463	6,806	6,668	6,047	6,194	19,938	18,669
Pretax income	\$ 3,385	2,540	2,457	3,620	3,303	8,382	7,753
Taxes	\$ 706	373	368	809	702	1,448	1,255
Net income	\$ 2,679	2,167	2,089	2,811	2,601	6,934	6,498
Earnings per share	\$ 0.66	0.53	0.51	0.69	0.64	1.69	1.60
PERFORMANCE RATIOS							
Return on average assets *	1.03%	0.83%	0.84%	1.14%	1.07%	0.90%	0.91%
Return on average equity *	9.24%	7.57%	7.41%	9.94%	9.37%	8.08%	8.06%
Net interest margin (<i>fully-tax equivalent</i>) *	3.34%	3.30%	3.46%	3.54%	3.66%	3.37%	3.50%
Fee income as % of total revenue	20.1%	21.4%	18.5%	19.1%	21.1%	20.0%	20.2%
Efficiency ratio	66.64%	70.38%	71.38%	63.54%	62.27%	69.45%	67.22%
CAPITAL							
Tier 1 leverage capital ratio	10.73%	10.48%	10.67%	11.06%	11.05%	10.73%	11.05%
Common equity risk-based capital ratio	12.98%	12.73%	12.74%			12.98%	
Tier 1 risk-based capital ratio	14.30%	14.05%	14.08%	14.85%	14.69%	14.30%	14.69%
Total risk-based capital ratio	15.56%	15.30%	15.33%	16.10%	15.94%	15.56%	15.94%
Book value per share	\$ 28.59	27.87	27.96	27.56	27.09	28.59	27.09
Tangible book value per share	\$ 24.88	24.17	24.26	24.17	23.71	24.88	23.71
Outstanding shares	4,086,472	4,090,633	4,097,880	4,096,639	4,102,610	4,086,472	4,102,610
Average outstanding shares	4,087,899	4,094,186	4,098,086	4,099,708	4,074,665	4,093,391	4,056,391
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 97	68	21	143	8	186	939
Net charge-offs to average loans *	0.06%	0.04%	0.01%	0.09%	0.00%	0.04%	0.19%
Allowance for loan losses	\$ 10,261	10,508	10,252	10,057	10,350	10,261	10,350
Allowance for loan losses to total loans	1.48%	1.51%	1.49%	1.53%	1.58%	1.48%	1.58%
Nonperforming loans	\$ 4,890	6,713	5,529	5,374	6,899	4,890	6,899
Other real estate owned	\$ 1,330	1,125	1,212	1,444	1,429	1,330	1,429
Nonperforming loans to total loans	0.70%	0.97%	0.80%	0.82%	1.06%	0.70%	1.06%
Nonperforming assets to total assets	0.60%	0.76%	0.65%	0.71%	0.88%	0.60%	0.88%
END OF PERIOD BALANCES							
Assets	\$ 1,038,523	1,026,552	1,029,168	960,796	947,513	1,038,523	947,513
Total S/T and L/T Investments	\$ 279,498	269,461	267,280	240,131	230,395	279,498	230,395
Total Loans	\$ 694,747	693,865	688,986	657,114	653,541	694,747	653,541
Deposits	\$ 819,941	784,887	802,162	729,347	745,136	819,941	745,136
Borrowings	\$ 89,281	115,716	100,114	108,641	82,045	89,281	82,045
Shareholders' equity	\$ 116,819	114,022	114,586	112,884	111,135	116,819	111,135
AVERAGE BALANCES							
Assets	\$ 1,036,315	1,043,757	1,013,153	974,753	960,024	1,031,201	959,386
Total S/T and L/T Investments	\$ 285,006	290,769	272,153	254,589	236,443	282,668	239,565
Total Loans	\$ 688,791	688,327	673,054	657,088	659,930	683,452	655,240
Deposits	\$ 816,292	813,910	771,882	761,966	753,810	800,805	738,726
Borrowings	\$ 92,683	102,996	112,685	91,074	87,165	102,743	103,939
Shareholders' equity	\$ 115,014	114,824	114,375	112,213	110,091	114,739	107,808
STOCK VALUATION							
Closing Market Price (OTCQB)	\$ 26.25	26.50	25.95	25.00	23.30	26.25	23.30
Dividend Paid	\$ 0.21	0.21	0.21	0.21	0.21	0.63	0.63
Dividend Yield *	3.20%	3.17%	3.24%	3.36%	3.61%	3.20%	3.61%
LTM P/E Ratio	11.0	11.2	10.9	10.9	10.9	11.0	10.9
% of Tangible Book Value	105.5%	109.7%	107.0%	103.4%	98.3%	105.5%	98.3%

* annualized with quarterly data