

COUNT ON IT

2015 ANNUAL REPORT

IAB

INDEPENDENT ALLIANCE BANKS



Count on it.

“Count on it” is our commitment to demonstrating the power of partnership with our customers. We’ve worked hard to capitalize on the advantages of community banking by establishing strong relationships with all of our stakeholders and developing a trust that is unparalleled – one that can be counted on now and for decades to come. The “70” found in the center of the phrase is reflective of the 70 years that our legacy banks have supported and nurtured the Northeast Indiana communities through consistent growth and service.

Some banks grow from the top down. At iAB, however, we’re committed to building financial strength from the ground up. By planting roots in our communities, we are uniquely positioned for a strong year ahead.

A Letter from the President

As our numbers reveal, it’s been a good year. We’ve seen record earnings of \$9.5 million and growth of our total assets to over \$1 billion. Our capital is positioned for balance sheet growth, and we’ve had the lowest percentage of non-performing assets in a decade. Our shareholders reaped the benefits of our continued strength, as IAB’s share value increased by 10% over last year, the dividend yielded over a 3% return, and we upgraded our trading platform and simplified our stock transfer process.

Another accomplishment during 2015 was the successful completion of our merger with the First State Bank of Bourbon. This acquisition expanded our regional footprint and added approximately \$80 million in assets to our bottom line.

All of these facts and figures add up to a successful year. But in the year ahead, our shareholders, employees and customers can continue to count on us for more than strong numbers.

We’re mindfully positioning our staff to provide more responsive and proactive service, and building specialized teams to provide commercial, business, wealth management, mortgage and retail consulting services. To diversify our products and services as well as our profit-building potential, we’re exploring additional non-interest income streams, while continuing to provide core banking and lending services.

Perhaps most importantly, people count on iAB as one of the region's premier community banks. We continue to seek new ventures and acquisitions that support our community-minded corporate culture. We're establishing new partnerships that help local residents and businesses build their own legacies and achieve their goals and dreams, both big and small. Most of all, we're focused on cultivating our unique position in the marketplace.

Independent Alliance Banks has financial strength and fortitude with the numbers to prove it. But we also have the kind of guidance and personal connections that can only come from a community-centered bank. We're excited for the year ahead and counting on your continued support.

Thank you for making iAB a resource our region can count on.



Michael C. Marhenke
President and Chief Executive Officer







David A. Nelson, CRC

President/CEO, The League for the Blind and Disabled

The League for the Blind and Disabled has been serving the needs of our community since 1950. A few years ago, we decided to move one of our endowment funds to a new wealth management provider. We started with six banks. Every bank put together a written proposal and gave a presentation, and then we set up a scoring system. iAB came out on top, not only in the scoring, but in the impressions left on the committee. They really had the critical things we were looking for.

We wanted to know where the decisions were made. We felt more comfortable working with people who lived right in our neighborhood. They had to live with us *after* they made decisions. We wanted them thinking about what we were doing, not just putting us in an investment pool with billions of dollars from other foundations. We also needed an institution that would be responsive, because we wanted our funds to be actively managed. As far as delivering on that, iAB has been outstanding.

A good investment manager is going to help us develop better policies and parameters – not necessarily things that make them look good, but things that make us do well. There are only three ways to grow an endowment: put more money into it, keep the money it's generating, or invest it smarter. Nobody has a crystal ball, but iAB has really helped us sharpen our investment policy and make it more resistant to changing economic times.

iAB is also a solid corporate citizen that does great things for the community. We were looking for an institution that did more than make money. If you're taking care of the people who *aren't* your customers – your community and your neighbors – that's an attitude that we like to see.

“It's people that make a difference. You need people you can trust, who don't put the quarterly dividend above your needs. That sends a message, and iAB came through.”



Ralph Mason


Former President/CEO, First State Bank of Bourbon

My grandfather became a director at First State Bank of Bourbon in the 1930s and worked there until his death. My father started there in 1947, and my brother Brad and I came on board in the '80s. About two years ago, Brad and I got together and looked at some options for a merger. It was a very emotional time, especially when the bank had been in the family for so long, and there were many variables to consider.

About 20 banks expressed an interest. We narrowed it down to three and sat down with the president of each to get a feel for their corporate culture and how they take care of their people. After meeting with Mike Marhenke, my decision was pretty much made. Mike is a true leader in every sense of the word. He's kind. He's genuine. He's just a down-to-earth person. He takes very good care of his people, and that translates right down the line from his top people to his new hires.

Our primary goal was, first and foremost, to take care of our employees. We wanted everyone to have the opportunity to continue to work there. We also wanted to make sure that our customers were taken care of, because if they're not, you don't really have a bank. Finally, we had an obligation to our shareholders to get a good, fair price.

We made the decision to go with iAB, and along every step of that road I became more confident that we made the best decision. Our cultures matched perfectly. We got the feeling that everybody at iAB wanted it to succeed, and they weren't just paying us lip service. Everyone we met with, all the training that the employees went through – everything proved that iAB is a first-class organization all the way through.



“iAB is a big bank, but it still retains the community bank feel. That really appealed to us.”



Brad and I had the opportunity to sit down and say goodbye to the commercial loan customers we'd worked with for 30-plus years. We were able to say – with 100% confidence – that the merger was a good thing. The feedback has been very positive. Customers are seeing the advantages – especially online and internet services – that we, as a small bank, didn't have the resources to provide.

The merger put iAB over a billion dollars in assets. Some banks that size may call themselves community banks, but in actual practice, a lot of them aren't. Because the roots of iAB came from a merger of two community banks, it's strongly focused on the needs of the community. That really appealed to us. We're extremely pleased with how everything worked out.





Consolidated Balance Sheets

As of December 31 (Rounded to Thousands)

Assets

	2015	2014
Cash and cash equivalents		
Noninterest-bearing	\$ 6,474	\$ 7,171
Interest-bearing	29,114	30,682
Total cash and cash equivalents	35,588	37,853
Certificates of deposit	15,449	14,197
Available-for-sale investment securities	222,916	190,707
Loans held for sale	1,743	644
Loans	712,241	657,114
Allowance for loan losses	(9,998)	(10,057)
Loans, net	702,243	647,057
Buildings and equipment, net	12,380	12,422
Federal Home Loan Bank stock	4,383	5,738
Insurance contracts	26,321	25,445
Goodwill and core deposits intangible	15,137	13,856
Other assets	13,916	12,877
Total assets	\$ 1,050,076	\$ 960,796

Liabilities

Deposits		
Noninterest-bearing	\$ 204,748	\$ 175,765
Interest-bearing	598,832	553,582
Total deposits	803,580	729,347
Short-term borrowings	39,559	41,331
Long-term debt	68,000	57,000
Junior subordinated debt	10,310	10,310
Other liabilities	10,749	9,924
Total liabilities	932,198	847,912

Stockholders' Equity

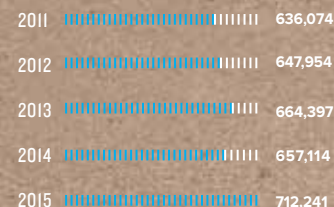
Common stock and surplus	37,564	37,311
Retained earnings	87,897	81,834
Treasury stock	(9,481)	(8,954)
Accumulated other comprehensive income, net of tax	1,898	2,693
Total stockholders' equity	117,878	112,884
Total liabilities and stockholders' equity	\$ 1,050,076	\$ 960,796

Financial Highlights

TOTAL ASSETS



TOTAL LOANS



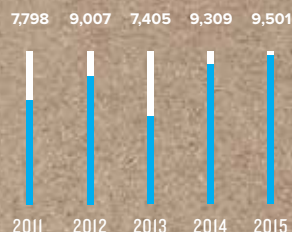
TOTAL DEPOSITS



TOTAL EQUITY

2011	100,643
2012	105,777
2013	104,755
2014	112,884
2015	117,878

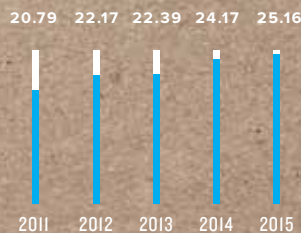
NET INCOME



EARNINGS PER SHARE



TANGIBLE BOOK VALUE PER SHARE



Consolidated Statements of Operations

For years ended December 31 (Rounded to Thousands, Except Share Data)

Interest Income

	2015	2014
Loans	\$ 29,815	\$ 30,346
Investment securities		
Taxable	1,788	1,410
Tax exempt	3,063	2,948
Dividends and other	471	471
Total interest income	35,137	35,175

Interest Expense

Deposits	2,501	3,134
Short-term borrowings	19	32
Long-term debt	1,508	1,845
Junior subordinated debt	300	294
Total interest expense	4,328	5,305
Net interest income	30,809	29,870
Provision for loan losses	390	1,200
Net interest income after provision for loan losses	30,419	28,670

Other Income

Service charges on deposit accounts	1,702	1,704
Service charges on loans	272	286
Income from sale of loans	1,141	800
Fiduciary and other nontraditional activities	1,923	2,070
Net realized gains on sales of assets	112	32
Income from life insurance contracts	816	840
Other	1,808	1,687
Total other income	7,774	7,419

Other Expenses

Salaries and employee benefits	15,936	14,966
Net occupancy and equipment	3,780	3,632
Printing and office supplies	649	613
Legal, professional and other fees	2,402	2,177
Marketing	674	646
Business development	685	671
FDIC insurance	626	641
Other	1,840	1,370
Total other expenses	26,592	24,716
Income before income taxes	11,601	11,373
Income taxes	2,100	2,064
Net income	\$ 9,501	\$ 9,309
Earnings per common share	\$ 2.32	\$ 2.29
Average common shares outstanding	4,091,337	4,067,221

For a complete set of 2015 audited financial statements for Independent Alliance Banks, Inc., please contact: Kevin Himmelhaver, Chief Financial Officer, 118 E. Ludwig Rd., Fort Wayne, IN 46825, 260.422.2265, kevin.himmelhaver@iabfinancial.com.

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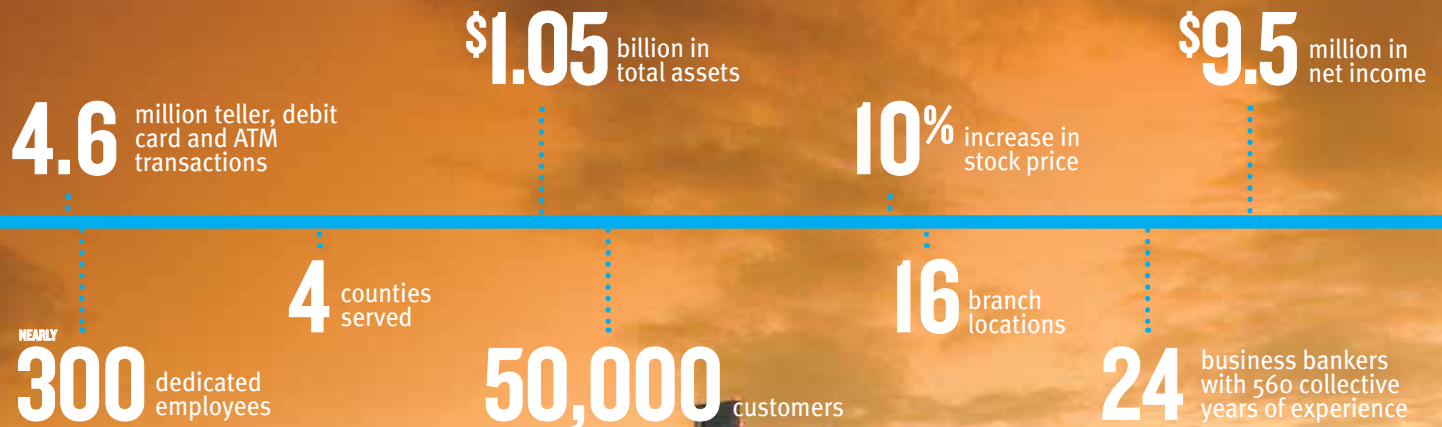




Financial Strength + Personal Service

Count on it.

In 2015, iAB had the financial achievements of a large institution with the numbers to prove it. But, our customers and partners also relied on iAB for the personal connections that can only come from a community-focused bank. This year's success has set the stage for future growth. You can count on it.



2015

3.1%

\$80

107,000

70

7,850

\$300,000

\$225

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