



Independent Bank

FOR IMMEDIATE RELEASE

**Third Quarter Net Profit up 42% at Independent Bank of Austin;
Assets, Deposits Rise at Lakeway, Georgetown Operations**

*Bank ranks No. 1 in Texas, No. 3 in nation, for Return on Average Equity
among 174 de novo banks begun in 2005*

LAKEWAY and GEORGETOWN, TEXAS (Oct. 17, 2006) – Independent Bank of Austin, SSB, based in Lakeway, reported today a third quarter net profit of \$452,544 after setting aside \$12,000 for loan loss reserves and \$272,000 for income taxes. Profit was up 41.6 percent over second quarter 2006 profit-after-the-set-asides. Total net profit through the third quarter was \$938,498.

Total assets at Sept. 30, 2006, for the 15-month-old bank were \$91.3 million, up 4.1 percent over the \$87.7 million reported at the end of the previous quarter. Loans at Sept. 30 represented \$79.7 million, up 5 percent over the \$75.9 million reported in the second quarter.

Deposits were \$81.8 million, up 3.5 percent over the \$79 million reported at June 30, 2006. Local deposits were up 14.7 percent over the prior quarter, “a further reflection that the communities we serve are both in need of and accepting of a quality, local community bank operation,” management stated.

Independent Bank’s branch office serving Georgetown and Sun City businesses and residents also reflected significant growth in deposits. Deposits at Sept. 30 were \$18.7 million, up 30.1 percent over deposits of \$14.3 million at the end of the second quarter.

The bank, which officially opened its doors June 6, 2005, with \$7.5 million in capitalization, established a limited service branch (at 3613 Williams Dr., Ste. 201 in the Village Lake Office Condominiums) between Georgetown and the burgeoning Sun City retirement development in September 2005.

"Our continued, enviable growth in earnings, loans and deposits in the third quarter underscores the dynamic economic activity in our marketplace," said Denny Buchanan, President and CEO (Photo: www.ibankaustin.com/aboutus.html)

“While new deposits are helping fund our expanding loan portfolio, primarily comprised of commercial development, residential construction and mortgages, we have not lost sight of the importance of diversified revenue sources and attention to cost containment, Buchanan emphasized.

“Management’s original objective to generate \$100 million in assets within five to 10 years has been startlingly eclipsed,” he noted. “Our mid-year estimates to regulatory authorities projects Independent Bank at more than \$100 million by December, \$120 million by July 2006 and \$150 million by year-end 2008.”

(more)

Page 2 – Independent Bank Reports Growth in Profits, Loans, Deposits

New Director, Service, National Ranking

At the Annual Meeting of Shareholders, held in August, a seasoned banking executive was elected to the bank's six-member Board of Directors – **David McCaskill**, Senior V.P.-Lending at the Texas Methodist Foundation in Austin since 1999. His responsibilities at the Foundation include oversight of a \$230 million loan portfolio.

After receiving a bachelor of business administration degree from Texas A&M University, McCaskill earned a real estate broker's license. He also worked as a national bank examiner for the Office of the Comptroller of the Currency. Prior to his current position, he worked at First National Bank, Georgetown, Texas.

The most recent report (June 30, 2006) from **Highline Data**, headquartered in Cambridge, MA, and Austin, TX, ranks Independent Bank third nationally with a 12.8 percent return on average equity (ROAE) among the 174 *de novo* banks started in the United States in 2005. One quarter ago, Independent Bank was ranked tenth with an 8.9 percent ROAE.

Highline Data is an industry leader in insurance and banking financial data. Its Highline Banking Data Services provides web-based, integrated information suites and community banking resources.

The bank, which began offering online banking capabilities to its customers early this year, is on schedule to add Online Cash Management for its business account holders by the end of the year. Additionally, it will be improving security and privacy for its online customers by adding multifactor authentication before Internet transactions are processed.

“Our continuing commitment to delivering new services, rapid lending responses and competitive returns on customer deposits is at the very core of our “The People’s Bank” philosophy,” Buchanan said. Customer relationships at Sept. 30 totaled 1,100.

Independent Bank offers a highly competitive Platinum Account paying a 4.41 percent to 5.00 percent (APY) interest rate. These accounts, available to individuals and corporations, require deposits of \$100,000 or more, with unlimited check writing for individuals. For all current rates, see www.ibankaustin.com or call 512-261-3355.

Independent Bank has now officially purchased property at 3209 Ranch Road 620, across from Lake Travis High School, as the site for its new corporate headquarters. SG Builders of Austin is expected to begin construction on the 3,500-square-foot facility before the end of this year. Plans call for relocating operations there in late 2007.

The new offices, with stellar Hill Country and canyon views, will be adjacent to a major planned community and rapidly expanding residential developments in a high-growth Central Texas

(more)

Page 3 – Independent Bank Reports Growth in Profits, Loans, Deposits

corridor between Bee Cave, Texas on Austin’s southwest fringe and Georgetown in Williamson County, 25 miles north of the capitol city.

QUARTERLY COMPRISONS – 2006 & 2005

<u>Assets</u>	<u>Sept. 30, 2006</u>	<u>Sept. 30, 2005</u>
Cash	\$1,216,000	\$256,000
Investments & Interest-bearing Cash	\$8,694,000	\$8,458,000
Fed funds sold	\$1,166,000	\$312,000
Loans	\$79,473,000	\$35,756,000
Less Reserves	(\$741,000)	(\$353,000)
Fixed Assets	\$727,000	\$332,000
Other Assets	\$765,000	\$267,000
Total Assets	\$91,360,000	\$45,028,000
<u>Liabilities</u>		
Deposits	\$81,819,000	\$37,768,000
Other Liabilities	\$1,226,000	\$102,000
Total Liabilities	\$83,046,000	\$45,028,000
<u>Equity</u>		
Common Stock	\$6,000,000	\$6,000,000
Surplus	\$2,000,000	\$1,500,000
Undivided Profits	\$315,000	(\$339,000)
Total Equity	\$8,315,000	\$7,161,000
Total Liabilities and Equity	\$91,360,000	\$45,031,000

Additional financial performance can be seen at http://www2.fdic.gov/Call_TFR_Rpts/search.asp

Independent Bank is approved by the Texas Savings and Mortgage Lending Dept. and the Federal Deposit Insurance Corp. (FDIC). The bank’s deposits are insured by the FDIC.

FOR MORE INFORMATION OR INTERVIEWS:

Denny Buchanan, President/CEO, Independent Bank of Austin SSB, Lakeway, TX, 512-261-3355, fax 512-261-3356; denny@ibankaustin.com

Preston F. Kirk, APR, Kirk Public Relations, Austin, TX, 830-693-4447; kirk@281.com