



INDEPENDENT ALLIANCE BANKS

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FOR IMMEDIATE RELEASE

## INDEPENDENT ALLIANCE BANKS ANNOUNCES RECORD EARNINGS FOR 2015

FORT WAYNE, IND., January 25, 2016 – Independent Alliance Banks, Inc. (IAB) (OTCQX: IALB), the holding company of iAB Financial Bank, announced record financial performance as of December 31, 2015. IAB's 2015 earnings reflected record financial performance at \$9.5 million compared to \$9.3 million in 2014, an increase of 2.1 percent. Net income for fourth quarter was \$2.6 million in 2015, compared to \$2.8 million in 2014. Earnings per share for 2015 was \$2.32 compared to \$2.29 in 2014.

Our financial highlights include:

- Annual earnings reflected the highest financial performance on record.
- Total assets increased 9.3% to \$1.05 billion in 2015 from \$961 million in 2014.
- 10.24% growth in deposits to \$804 million in 2015 from \$729 million in 2014.
- Total loans grew to 8.4% to \$712 million in 2015 compared to \$657 in 2014.
- Growth in noninterest income of 4.84% from \$7.4 in 2014 compared to \$7.8 in 2015.
- Asset quality improved by 11 basis points with non-performing assets to total assets ratio at .60% at year-end 2015 compared to .71% at year-end 2014
- Our shareholders realized an overall investment return of 13.1% with a \$2.50 increase in stock value and an annualized dividend yield of approximately 3.05% at year-end 2015.

“We are pleased with our record 2015 and yet another solid performance for fourth quarter,” stated Mike Marhenke, President and Chief Executive Officer of IAB. “These results were impacted by positive trends in asset quality and balance sheet growth. Part of our record year included completing the acquisition of First State Bank of Bourbon early in 2015 which added approximately \$80 million in assets and allowed us to expand our footprint into Marshall County. We now serve approximately 50,000 customers in 4 counties in Northeast Indiana. Our capital position remains very healthy, and we are excited about our opportunities in 2016.”

Independent Alliance Banks, Inc., established in 2005, is a financial holding company for iAB Financial Bank. iAB Financial Bank is the largest locally-owned community bank originally headquartered in Allen County. IAB employs approximately 285 people throughout Allen, Huntington, Marshall and Wells counties.

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**Consolidated Balance Sheets**

At December 31, 2015 and 2014

(unaudited)

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$ 6,473,858	\$ 7,170,996
Interest-bearing	29,114,242	30,681,680
Total cash and cash equivalents	35,588,100	37,852,676
Certificates of deposit	15,449,182	14,197,358
Available-for-sale investment securities	222,929,263	190,707,179
Loans held for sale	1,743,431	644,326
Loans	712,240,707	657,113,843
Allowance for loan losses	(9,997,402)	(10,057,203)
Loans, net	702,243,305	647,056,640
Buildings and equipment (net)	12,379,622	12,421,589
Federal Home Loan Bank stock	4,382,800	5,738,300
Insurance contracts	26,321,028	25,445,578
Goodwill and core deposit intangible	15,136,778	13,855,664
Other assets	13,902,329	12,876,838
Total assets	<u>\$ 1,050,075,838</u>	<u>\$ 960,796,148</u>
<b>LIABILITIES</b>		
Deposits		
Noninterest bearing	\$ 204,748,255	\$ 175,764,861
Interest bearing	598,831,748	553,582,457
Total deposits	803,580,003	729,347,318
Short-term borrowings	9,559,137	11,331,274
FHLB advances	98,000,000	87,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	10,749,142	9,923,870
Total liabilities	932,198,282	847,912,462
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	37,563,758	37,310,758
Retained earnings	87,896,536	81,833,617
Treasury stock	(9,480,769)	(8,954,128)
Accumulated other comprehensive income, net of tax	1,898,031	2,693,439
Total stockholders' equity	117,877,556	112,883,686
Total liabilities and stockholders' equity	<u>\$ 1,050,075,838</u>	<u>\$ 960,796,148</u>

**Consolidated Statements of Operations**For the three months and twelve months ended December 31, 2015 and 2014  
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2015	2014	2015	2014
<b>Interest Income:</b>				
Loans	\$ 7,509,499	\$ 7,594,847	\$ 29,781,514	\$ 30,312,128
Investment securities:				
Taxable	467,984	389,990	1,788,013	1,410,217
Tax exempt	785,674	708,848	3,063,156	2,947,860
Dividend income and other	141,216	138,730	504,647	505,104
Total interest income	8,904,373	8,832,415	35,137,330	35,175,309
<b>Interest Expense:</b>				
Deposits	607,119	641,896	2,501,187	3,134,167
Short-term borrowings	7,782	5,980	18,570	32,040
FHLB advances	369,056	405,957	1,507,893	1,845,394
Junior subordinated debt	76,500	74,700	300,225	294,100
Total interest expense	1,060,457	1,128,533	4,327,875	5,305,701
Net interest income	7,843,916	7,703,882	30,809,455	29,869,608
<b>Provision for Loan Losses</b>	-	(150,000)	390,000	1,200,000
<b>Net Interest Income after Provision for Loan Losses</b>	7,843,916	7,853,882	30,419,455	28,669,608
<b>Other Income:</b>				
Service charges on deposit accounts	458,215	429,229	1,701,865	1,704,188
Service charges on loans	46,505	54,563	272,166	285,933
Income from sale of loans	313,864	260,964	1,140,859	799,612
Fiduciary and other nontraditional activities	549,675	544,558	1,922,740	2,070,442
Net realized gains (losses) on sale of assets	-	(100,990)	112,030	32,117
Income from life insurance contracts	204,000	195,000	816,000	840,000
Other	456,926	429,863	1,808,369	1,687,196
Total other income	2,029,185	1,813,187	7,774,029	7,419,488
<b>Other Expenses:</b>				
Salaries and employee benefits	4,105,528	3,792,745	15,936,095	14,966,415
Net occupancy and equipment	923,893	916,281	3,780,132	3,632,456
Printing and office supplies	148,612	157,427	648,771	613,553
Legal, professional and other fees	621,929	633,661	2,402,331	2,176,711
Marketing	176,498	133,452	674,157	645,613
Business development	160,221	149,722	685,053	670,866
FDIC insurance	161,320	142,122	626,028	640,887
Other	355,568	121,880	1,839,436	1,369,797
Total other expenses	6,653,569	6,047,290	26,592,003	24,716,298
<b>Income Before Income Taxes</b>	3,219,532	3,619,779	11,601,481	11,372,798
<b>Income Taxes</b>	653,043	808,566	2,100,679	2,063,704
<b>Net Income</b>	\$ 2,566,489	\$ 2,811,213	\$ 9,500,802	\$ 9,309,094
<b>Earnings Per Common Share</b>	\$ 0.63	\$ 0.69	\$ 2.32	\$ 2.29
Average common shares outstanding	4,085,175	4,099,708	4,091,337	4,067,221

## Consolidated Financial Highlights

Fourth Quarter 2015

(unaudited)

	Quarterly				Year-To-Date		
	4th Qtr 2015	3rd Qtr 2015	2nd Qtr 2015	1st Qtr 2015	4th Qtr 2014	12 mo 2015	12 mo 2014
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 7,844	7,745	7,604	7,616	7,704	30,809	29,870
Provision for loan loss	\$ -	(150)	324	216	(150)	390	1,200
Other income	\$ 2,029	1,953	2,066	1,725	1,813	7,774	7,419
Other expense	\$ 6,654	6,463	6,806	6,668	6,047	26,592	24,716
Pretax income	\$ 3,219	3,385	2,540	2,457	3,620	11,601	11,373
Taxes	\$ 653	706	373	368	809	2,100	2,064
Net income	\$ 2,566	2,679	2,167	2,089	2,811	9,501	9,309
Earnings per share	\$ 0.63	0.66	0.53	0.51	0.69	2.32	2.29
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	0.96%	1.03%	0.83%	0.84%	1.14%	0.91%	0.97%
Return on average equity *	8.67%	9.24%	7.57%	7.41%	9.94%	8.23%	8.55%
Net interest margin (fully-tax equivalent) *	3.29%	3.34%	3.30%	3.46%	3.54%	3.35%	3.52%
Fee income as % of total revenue	20.6%	20.1%	21.4%	18.5%	19.1%	20.1%	19.9%
Efficiency ratio	67.40%	66.64%	70.38%	71.38%	63.54%	68.92%	66.28%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	10.60%	10.73%	10.48%	10.67%	11.06%	10.60%	11.06%
Common equity risk-based capital ratio	12.31%	12.98%	12.73%	12.74%		12.31%	
Tier 1 risk-based capital ratio	13.54%	14.30%	14.05%	14.08%	14.84%	13.54%	14.84%
Total risk-based capital ratio	14.76%	15.56%	15.30%	15.33%	16.10%	14.76%	16.10%
Book value per share	\$ 28.87	28.59	27.87	27.96	27.56	28.87	27.56
Tangible book value per share	\$ 25.16	24.88	24.17	24.26	24.17	25.16	24.17
Outstanding shares	4,083,442	4,086,472	4,090,633	4,097,880	4,096,639	4,083,442	4,096,639
Average outstanding shares	4,085,175	4,087,899	4,094,186	4,098,086	4,099,708	4,091,337	4,067,221
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 114	97	68	21	143	450	1,082
Net charge-offs to average loans *	0.07%	0.06%	0.04%	0.01%	0.09%	0.07%	0.17%
Allowance for loan losses	\$ 9,997	10,261	10,508	10,252	10,057	9,997	10,057
Allowance for loan losses to total loans	1.40%	1.48%	1.51%	1.49%	1.53%	1.40%	1.53%
Nonperforming loans	\$ 5,107	4,890	6,713	5,529	5,374	5,107	5,374
Other real estate owned	\$ 1,175	1,330	1,125	1,212	1,444	1,175	1,444
Nonperforming loans to total loans	0.72%	0.70%	0.97%	0.80%	0.82%	0.72%	0.82%
Nonperforming assets to total assets	0.60%	0.60%	0.76%	0.65%	0.71%	0.60%	0.71%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 1,050,076	1,038,523	1,026,552	1,029,168	960,796	1,050,076	960,796
Total S/T and L/T Investments	\$ 273,619	279,498	269,461	267,280	240,131	273,619	240,131
Total Loans	\$ 712,241	694,747	693,865	688,986	657,114	712,241	657,114
Deposits	\$ 803,580	819,941	784,887	802,162	729,347	803,580	729,347
Borrowings	\$ 117,869	89,281	115,716	100,114	108,641	117,869	108,641
Shareholders' equity	\$ 117,878	116,819	114,022	114,586	112,884	117,878	112,884
<b>AVERAGE BALANCES</b>							
Assets	\$ 1,064,674	1,036,315	1,043,757	1,013,153	974,753	1,039,541	963,282
Total S/T and L/T Investments	\$ 303,317	285,006	290,769	272,153	254,589	287,820	243,379
Total Loans	\$ 696,737	688,791	688,327	673,054	657,088	686,806	655,702
Deposits	\$ 841,276	816,292	813,910	771,882	761,966	810,952	744,600
Borrowings	\$ 94,167	92,683	102,996	112,685	91,074	100,588	100,706
Shareholders' equity	\$ 117,363	115,014	114,824	114,375	112,213	115,398	108,917
<b>STOCK VALUATION</b>							
Closing Market Price (OTCQX)	\$ 27.50	26.25	26.50	25.95	25.00	27.50	25.00
Dividend Paid	\$ 0.21	0.21	0.21	0.21	0.21	0.84	0.84
Dividend Yield *	3.05%	3.20%	3.17%	3.24%	3.36%	3.05%	3.36%
LTM P/E Ratio	11.8	11.0	11.2	10.9	10.9	11.8	10.9
% of Tangible Book Value	109.3%	105.5%	109.7%	107.0%	103.4%	109.3%	103.4%

\* annualized with quarterly data