



INDEPENDENT ALLIANCE BANKS

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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES SECOND QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., July 21, 2016 – Independent Alliance Banks, Inc. (OTCQX:IALB), the holding company of iAB Financial Bank, announced second quarter financial performance as of June 30, 2016.

Net income for the second quarter of 2016 increased 18.4 percent to \$2.6 million, compared to the same period in 2015. Improvement in net interest income was fueled by loan growth and reduction in the cost of deposits and borrowings. Further, a 20.4 percent growth in fee income was mainly driven by increased interest rate swap fee income, growth of revenue in trust & fiduciary business and improvement in secondary market activity. Increases in expenses were mainly attributable to costs associated with expanding our revenue team. Net income for the first six months of 2016 was up 18.3 percent to \$5.0 million compared to \$4.3 million YTD 2015 while earnings per share was \$1.23 versus \$1.04 last year. The percentage improvement on a year-over-year basis was the result of many of the same factors as noted above.

Our second quarter highlights include:

- \$60 million increase in period-end total assets in 2016 vs 2015
- \$50 million or 7.2% increase in total loans over June 30, 2015
- \$24 million or 3% increase in total deposits over June 30, 2015
- .62% nonperforming assets to total assets compared to .76% in 2015
- A 4.8% increase in per share quarterly cash dividend paid during second quarter 2016 compared to 2015
- Solid capital base for future growth with total equity at \$123 million and a total risk-based capital ratio of 15.0%

“We are pleased with continued strong 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 2016,” stated Mike Marhenke, President and Chief Executive Officer.

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 70 years, employs approximately 280 people throughout Allen, Huntington, Marshall and Wells counties.

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Consolidated Balance SheetsAt June 30, 2016 and December 31, 2015
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 7,058,899	\$ 6,473,858
Interest-bearing	37,762,992	29,114,242
Total cash and cash equivalents	44,821,891	35,588,100
Certificates of deposit	15,579,554	15,449,182
Available-for-sale investment securities	218,491,363	222,929,263
Loans held for sale	1,559,163	1,743,431
Loans	743,937,383	712,240,707
Allowance for loan losses	(10,408,532)	(9,997,402)
Loans, net	733,528,851	702,243,305
Buildings and equipment (net)	12,190,401	12,379,622
Federal Home Loan Bank stock	4,810,000	4,382,800
Insurance contracts	27,129,028	26,321,028
Goodwill and core deposit intangible	15,109,358	15,136,778
Other assets	13,018,358	13,902,329
Total assets	<u>\$ 1,086,237,967</u>	<u>\$ 1,050,075,838</u>
LIABILITIES		
Deposits		
Noninterest bearing	\$ 213,795,572	\$ 204,748,255
Interest bearing	594,868,094	598,831,748
Total deposits	808,663,666	803,580,003
Short-term borrowings	15,223,848	9,559,137
FHLB advances	118,000,000	98,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	10,891,154	10,749,142
Total liabilities	963,088,668	932,198,282
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,751,550	37,563,758
Retained earnings	91,173,104	87,896,536
Treasury stock	(9,668,282)	(9,480,769)
Accumulated other comprehensive income, net of tax	3,892,927	1,898,031
Total stockholders' equity	123,149,299	117,877,556
Total liabilities and stockholders' equity	<u>\$ 1,086,237,967</u>	<u>\$ 1,050,075,838</u>

Consolidated Statements of OperationsFor the three and six months ended June 30, 2016 and 2015
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest Income:				
Loans	\$ 7,628,708	\$ 7,384,305	\$ 15,258,492	\$ 14,796,145
Investment securities:				
Taxable	497,060	435,645	991,936	877,995
Tax exempt	742,795	764,674	1,502,487	1,493,849
Dividend income and other	149,842	120,912	278,382	237,980
Total interest income	9,018,405	8,705,536	18,031,297	17,405,969
Interest Expense:				
Deposits	611,907	649,703	1,193,395	1,265,365
Short-term borrowings	7,286	3,314	14,967	7,186
FHLB advances	302,923	373,775	684,188	765,099
Junior subordinated debt	83,826	74,775	166,977	147,825
Total interest expense	1,005,942	1,101,567	2,059,527	2,185,475
Net interest income	8,012,463	7,603,969	15,971,770	15,220,494
Provision for Loan Losses	200,000	324,000	400,000	540,000
Net Interest Income after Provision for Loan Losses	7,812,463	7,279,969	15,571,770	14,680,494
Other Income:				
Service charges on deposit accounts	454,907	428,547	882,916	808,774
Service charges on loans	350,847	209,541	746,610	266,453
Income from sale of loans	399,177	271,442	588,614	556,601
Fiduciary and other nontraditional activities	532,230	431,258	1,011,920	848,313
Net realized gains (losses) on sale of assets	117,129	108,377	117,129	108,377
Income from life insurance contracts	204,000	204,000	408,000	408,000
Other	429,740	413,349	828,686	795,186
Total other income	2,488,030	2,066,514	4,583,875	3,791,704
Other Expenses:				
Salaries and employee benefits	4,333,432	3,918,292	8,364,028	7,906,628
Net occupancy and equipment	891,675	992,492	1,785,831	1,956,000
Printing and office supplies	133,709	188,993	311,230	359,504
Legal, professional and other fees	700,813	640,448	1,429,250	1,166,797
Marketing	170,816	204,630	223,130	369,731
Business development	201,706	176,467	375,656	353,320
FDIC insurance	160,687	158,730	325,713	305,503
Other	512,668	526,740	1,071,894	1,057,579
Total other expenses	7,105,506	6,806,792	13,886,732	13,475,062
Income Before Income Taxes	3,194,987	2,539,691	6,268,913	4,997,136
Income Taxes	628,803	372,979	1,235,414	741,392
Net Income	\$ 2,566,184	\$ 2,166,712	\$ 5,033,499	\$ 4,255,744
Earnings Per Common Share	\$ 0.63	\$ 0.53	\$ 1.23	\$ 1.04
Average common shares outstanding	4,083,092	4,094,186	4,084,898	4,096,136

Consolidated Financial Highlights

Second Quarter 2016

(unaudited)

	Quarterly					Year-To-Date	
	2nd Qtr 2016	1st Qtr 2016	4th Qtr 2015	3rd Qtr 2015	2nd Qtr 2015	6 mo 2016	6 mo 2015
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 8,012	7,959	7,844	7,745	7,604	15,971	15,220
Provision for loan loss	\$ 200	200	-	(150)	324	400	540
Other income	\$ 2,488	2,096	2,029	1,953	2,066	4,584	3,792
Other expense	\$ 7,105	6,781	6,654	6,463	6,806	13,887	13,475
Pretax income	\$ 3,195	3,074	3,219	3,385	2,540	6,268	4,997
Taxes	\$ 629	607	653	706	373	1,235	741
Net income	\$ 2,566	2,467	2,566	2,679	2,167	5,033	4,256
Earnings per share	\$ 0.63	0.60	0.63	0.66	0.53	1.23	1.04
PERFORMANCE RATIOS							
Return on average assets *	0.95%	0.94%	0.96%	1.03%	0.83%	0.95%	0.83%
Return on average equity *	8.51%	8.30%	8.67%	9.24%	7.57%	8.41%	7.49%
Net interest margin (fully-tax equivalent) *	3.34%	3.40%	3.29%	3.34%	3.30%	3.37%	3.38%
Fee income as % of total revenue	23.7%	20.8%	20.6%	20.1%	21.4%	22.3%	19.9%
Efficiency ratio	67.67%	67.44%	67.40%	66.64%	70.38%	67.56%	70.88%
CAPITAL							
Tier 1 leverage capital ratio	10.73%	10.84%	10.60%	10.73%	10.48%	10.73%	10.48%
Common equity risk-based capital ratio	12.54%	12.54%	12.31%	12.98%	12.73%	12.54%	12.73%
Tier 1 risk-based capital ratio	13.76%	13.78%	13.54%	14.30%	14.05%	13.76%	14.05%
Total risk-based capital ratio	15.01%	15.02%	14.76%	15.56%	15.30%	15.01%	15.30%
Book value per share	\$ 30.17	29.56	28.87	28.59	27.87	30.17	27.87
Tangible book value per share	\$ 26.47	25.86	25.16	24.88	24.17	26.47	24.17
Outstanding shares	4,081,702	4,084,868	4,083,442	4,086,472	4,090,633	4,081,702	4,090,633
Average outstanding shares	4,083,092	4,086,704	4,085,175	4,087,899	4,094,186	4,084,898	4,096,136
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 3	(15)	264	97	68	0	89
Net charge-offs to average loans *	0.00%	-0.01%	0.15%	0.06%	0.04%	0.00%	0.03%
Allowance for loan losses	\$ 10,409	10,212	9,997	10,261	10,508	10,409	10,508
Allowance for loan losses to total loans	1.40%	1.42%	1.40%	1.48%	1.51%	1.40%	1.51%
Nonperforming loans	\$ 5,663	5,183	5,107	4,890	6,713	5,663	6,713
Other real estate owned	\$ 1,125	1,125	1,175	1,330	1,125	1,125	1,125
Nonperforming loans to total loans	0.76%	0.72%	0.72%	0.70%	0.97%	0.76%	0.97%
Nonperforming assets to total assets	0.62%	0.60%	0.60%	0.60%	0.76%	0.62%	0.76%
END OF PERIOD BALANCES							
Assets	\$ 1,086,238	1,055,616	1,050,076	1,038,523	1,026,552	1,086,238	1,026,552
Total S/T and L/T Investments	\$ 278,203	275,724	273,619	279,498	269,461	278,203	269,461
Total Loans	\$ 743,937	716,876	712,241	694,747	693,865	743,937	693,865
Deposits	\$ 808,664	830,555	803,580	819,941	784,887	808,664	784,887
Borrowings	\$ 143,534	94,650	117,869	89,281	115,716	143,534	115,716
Shareholders' equity	\$ 123,149	120,743	117,878	116,819	114,022	123,149	114,022
AVERAGE BALANCES							
Assets	\$ 1,081,127	1,056,756	1,064,674	1,036,315	1,043,757	1,069,071	1,028,541
Total S/T and L/T Investments	\$ 290,111	278,370	303,317	285,006	290,769	284,370	281,519
Total Loans	\$ 729,412	714,085	696,737	688,791	688,327	721,751	680,732
Deposits	\$ 857,601	822,694	841,276	816,292	813,910	840,287	792,984
Borrowings	\$ 92,564	103,010	94,167	92,683	102,996	97,775	107,836
Shareholders' equity	\$ 121,279	119,537	117,363	115,014	114,824	120,410	114,602
STOCK VALUATION							
Closing Market Price (OTCQX)	\$ 29.95	27.00	27.50	26.25	26.50	29.95	26.50
Dividend Paid	\$ 0.22	0.21	0.21	0.21	0.21	0.43	0.42
Dividend Yield *	2.94%	3.11%	3.05%	3.20%	3.17%	2.84%	3.17%
LTM P/E Ratio	11.9	11.2	11.8	11.0	11.2	11.9	11.2
% of Tangible Book Value	113.1%	104.4%	109.3%	105.5%	109.7%	113.1%	109.7%

* annualized with quarterly data