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INDEPENDENT ALLIANCE BANKS

FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES THIRD QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., October 20, 2016 – Independent Alliance Banks, Inc. (OTCQX: IALB), the holding company of iAB Financial Bank, announced third quarter financial performance as of September 30, 2016.

Net income for the first nine months of 2016 was \$7.6 million, compared to \$6.9 million in 2015, an increase of 10 percent. Improvement in net interest income was a result of loan growth and reduction in the cost of funds. Additionally, interest rate swap fee income and growth in fiduciary and other nontraditional services attributed to an overall 26 percent growth in fee income. Third quarter financial performance resulted in net income of \$2.6 million, compared to \$2.7 million during the same period in 2015. The modest decline in quarterly earnings was mainly the result of negative provision expense in the third quarter of 2015. For the first nine months of 2016, earnings per share was \$1.86 versus \$1.69 last year.

Our third quarter highlights include:

- \$46 million increase in September period-end total assets in 2016 vs. 2015.
- \$56 million or 8.1% increase in total loans compared to 2015.
- \$46.8 million or 5.8% increase in total deposits over 2015.
- 23% fee income as a % of total revenue through September compared to 20% in 2015.
- \$36 closing market share price on 9/30/2016 compared to \$26.25 in 2015, a 37% increase.
- Solid capital base for future growth with total equity at \$124 million and a total risk-based capital ratio of 15.11%.

“Our growth in financial performance and strong credit and capital positions can be attributed to the company’s strategic focus by a dedicated, experienced iAB team,” stated Mike Marhenke, President and Chief Executive Officer of IAB. “We are staying true to our community banking mission and vision for commitment to our customers.”

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

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

	September 30, 2016	December 31, 2015
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 6,362,113	\$ 6,473,858
Interest-bearing	29,365,938	29,114,242
Total cash and cash equivalents	35,728,051	35,588,100
Certificates of deposit	14,845,151	15,449,182
Available-for-sale investment securities	217,823,472	222,929,263
Loans held for sale	2,856,338	1,743,431
Loans	750,892,579	712,240,707
Allowance for loan losses	(10,670,561)	(9,997,402)
Loans, net	740,222,018	702,243,305
Buildings and equipment (net)	12,025,831	12,379,622
Federal Home Loan Bank stock	4,810,000	4,382,800
Insurance contracts	27,333,028	26,321,028
Goodwill and core deposit intangible	15,095,648	15,136,778
Other assets	13,383,968	13,902,329
Total assets	<u>\$ 1,084,123,505</u>	<u>\$ 1,050,075,838</u>
LIABILITIES		
Deposits		
Noninterest bearing	\$ 228,770,162	\$ 204,748,255
Interest bearing	621,582,999	598,831,748
Total deposits	850,353,161	803,580,003
Short-term borrowings	9,502,753	9,559,137
FHLB advances	78,000,000	98,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	11,750,898	10,749,142
Total liabilities	959,916,812	932,198,282
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,772,850	37,563,758
Retained earnings	92,840,016	87,896,536
Treasury stock	(9,744,615)	(9,480,769)
Accumulated other comprehensive income, net of tax	3,338,442	1,898,031
Total stockholders' equity	124,206,693	117,877,556
Total liabilities and stockholders' equity	<u>\$ 1,084,123,505</u>	<u>\$ 1,050,075,838</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Interest Income:				
Loans	\$ 7,724,819	\$ 7,475,870	\$ 22,983,311	\$ 22,272,015
Investment securities:				
Taxable	431,234	442,034	1,423,170	1,320,029
Tax exempt	701,681	783,633	2,204,168	2,277,482
Dividend income and other	153,588	125,451	431,970	363,431
Total interest income	9,011,322	8,826,988	27,042,619	26,232,957
Interest Expense:				
Deposits	583,310	628,703	1,776,705	1,894,068
Short-term borrowings	5,529	3,602	20,496	10,788
FHLB advances	310,973	373,738	995,161	1,138,837
Junior subordinated debt	84,477	75,900	251,454	223,725
Total interest expense	984,289	1,081,943	3,043,816	3,267,418
Net interest income	8,027,033	7,745,045	23,998,803	22,965,539
Provision for Loan Losses	266,000	(150,000)	666,000	390,000
Net Interest Income after Provision for Loan Losses	7,761,033	7,895,045	23,332,803	22,575,539
Other Income:				
Service charges on deposit accounts	469,679	434,876	1,352,595	1,243,650
Service charges on loans	294,052	101,105	1,040,662	367,558
Income from sale of loans	566,765	270,394	1,155,379	826,995
Fiduciary and other nontraditional activities	672,594	524,752	1,684,514	1,373,065
Net realized gains (losses) on sale of assets	500	3,653	117,629	112,030
Income from life insurance contracts	204,000	204,000	612,000	612,000
Other	418,211	414,360	1,246,897	1,209,546
Total other income	2,625,801	1,953,140	7,209,676	5,744,844
Other Expenses:				
Salaries and employee benefits	4,468,543	3,923,939	12,832,571	11,830,567
Net occupancy and equipment	886,838	900,239	2,672,669	2,856,239
Printing and office supplies	141,198	140,655	452,428	500,159
Legal, professional and other fees	774,232	613,605	2,203,482	1,780,402
Marketing	235,231	127,928	458,361	497,659
Business development	189,295	171,512	564,951	524,832
FDIC insurance	84,800	159,205	410,513	464,708
Other	383,275	426,289	1,455,169	1,483,868
Total other expenses	7,163,412	6,463,372	21,050,144	19,938,434
Income Before Income Taxes	3,223,422	3,384,813	9,492,335	8,381,949
Income Taxes	658,860	706,244	1,894,274	1,447,636
Net Income	\$ 2,564,562	\$ 2,678,569	\$ 7,598,061	\$ 6,934,313
Earnings Per Common Share	\$ 0.63	\$ 0.66	\$ 1.86	\$ 1.69
Average common shares outstanding	4,080,426	4,087,899	4,083,407	4,093,391

Consolidated Financial Highlights

Third Quarter 2016

(unaudited)

	Quarterly					Year-To-Date	
	3rd Qtr 2016	2nd Qtr 2016	1st Qtr 2016	4th Qtr 2015	3rd Qtr 2015	9 mo 2016	9 mo 2015
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 8,027	8,012	7,959	7,844	7,745	23,999	22,965
Provision for loan loss	\$ 266	200	200	-	(150)	666	390
Other income	\$ 2,626	2,488	2,096	2,029	1,953	7,209	5,745
Other expense	\$ 7,163	7,105	6,781	6,654	6,463	21,050	19,938
Pretax income	\$ 3,224	3,195	3,074	3,219	3,385	9,492	8,382
Taxes	\$ 659	629	607	653	706	1,894	1,448
Net income	\$ 2,565	2,566	2,467	2,566	2,679	7,598	6,934
Earnings per share	\$ 0.63	0.63	0.60	0.63	0.66	1.86	1.69
PERFORMANCE RATIOS							
Return on average assets *	0.94%	0.95%	0.94%	0.96%	1.03%	0.95%	0.90%
Return on average equity *	8.26%	8.51%	8.30%	8.67%	9.24%	8.36%	8.08%
Net interest margin (fully-tax equivalent) *	3.31%	3.34%	3.40%	3.29%	3.34%	3.35%	3.37%
Fee income as % of total revenue	24.7%	23.7%	20.8%	20.6%	20.1%	23.1%	20.0%
Efficiency ratio	67.24%	67.67%	67.44%	67.40%	66.64%	67.45%	69.45%
CAPITAL							
Tier 1 leverage capital ratio	10.88%	10.73%	10.84%	10.60%	10.73%	10.88%	10.73%
Common equity risk-based capital ratio	12.65%	12.54%	12.54%	12.31%	12.98%	12.65%	12.98%
Tier 1 risk-based capital ratio	13.86%	13.76%	13.78%	13.54%	14.30%	13.86%	14.30%
Total risk-based capital ratio	15.11%	15.01%	15.02%	14.76%	15.56%	15.11%	15.56%
Book value per share	\$ 30.45	30.17	29.56	28.87	28.59	30.45	28.59
Tangible book value per share	\$ 26.75	26.47	25.86	25.16	24.88	26.75	24.88
Outstanding shares	4,079,030	4,081,702	4,084,868	4,083,442	4,086,472	4,079,030	4,086,472
Average outstanding shares	4,080,426	4,083,092	4,086,704	4,085,175	4,087,899	4,083,407	4,093,391
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 4	3	(15)	264	97	(8)	186
Net charge-offs to average loans *	0.00%	0.00%	-0.01%	0.15%	0.06%	0.00%	0.04%
Allowance for loan losses	\$ 10,671	10,409	10,212	9,997	10,261	10,671	10,261
Allowance for loan losses to total loans	1.42%	1.40%	1.42%	1.40%	1.48%	1.42%	1.48%
Nonperforming loans	\$ 5,157	5,663	5,183	5,107	4,890	5,157	4,890
Other real estate owned	\$ 1,247	1,125	1,125	1,175	1,330	1,247	1,330
Nonperforming loans to total loans	0.69%	0.76%	0.72%	0.72%	0.70%	0.69%	0.70%
Nonperforming assets to total assets	0.59%	0.62%	0.60%	0.60%	0.60%	0.59%	0.60%
END OF PERIOD BALANCES							
Assets	\$ 1,084,123	1,086,238	1,055,616	1,050,076	1,038,523	1,084,123	1,038,523
Total S/T and L/T Investments	\$ 269,701	278,203	275,724	273,619	279,498	269,701	279,498
Total Loans	\$ 750,893	743,937	716,876	712,241	694,747	750,893	694,747
Deposits	\$ 850,353	808,664	830,555	803,580	819,941	850,353	819,941
Borrowings	\$ 97,813	143,534	94,650	117,869	89,281	97,813	89,281
Shareholders' equity	\$ 124,207	123,149	120,743	117,878	116,819	124,207	116,819
AVERAGE BALANCES							
Assets	\$ 1,081,461	1,081,127	1,056,756	1,064,674	1,036,315	1,073,208	1,031,201
Total S/T and L/T Investments	\$ 276,001	290,111	278,370	303,317	285,006	281,546	282,668
Total Loans	\$ 741,836	729,412	714,085	696,737	688,791	728,488	683,452
Deposits	\$ 837,501	857,601	822,694	841,276	816,292	839,293	800,805
Borrowings	\$ 108,484	92,564	103,010	94,167	92,683	101,408	102,743
Shareholders' equity	\$ 123,563	121,279	119,537	117,363	115,014	121,469	114,739
STOCK VALUATION							
Closing Market Price (OTCQX)	\$ 36.00	29.95	27.00	27.50	26.25	36.00	26.25
Dividend Paid	\$ 0.22	0.22	0.21	0.21	0.21	0.65	0.63
Dividend Yield *	2.44%	2.94%	3.11%	3.05%	3.20%	3.61%	3.20%
LTM P/E Ratio	14.5	11.9	11.2	11.8	11.0	14.5	11.0
% of Tangible Book Value	134.6%	113.1%	104.4%	109.3%	105.5%	134.6%	105.5%

* annualized with quarterly data