



INDEPENDENT ALLIANCE BANKS

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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES RECORD EARNINGS FOR 2016

FORT WAYNE, IND., January 20, 2017 – Independent Alliance Banks, Inc. (OTCQX: IALB), the holding company of iAB Financial Bank, announced record financial performance as of December 31, 2016.

IAB's 2016 earnings reflected record financial performance at \$10.19 million compared to \$9.50 million in 2015, an increase of 7 percent. Net income for fourth quarter was \$2.59 million in 2016, compared to \$2.57 million in 2015. Earnings per share for 2016 was \$2.50 compared to \$2.32 in 2015.

Our 2016 financial highlights include:

- Annual earnings reflected the highest financial performance on record.
- \$38 million increase in year-end total assets in 2016 vs. 2015.
- \$57 million growth in deposits to \$861 million in 2016 from \$804 million in 2015.
- \$41 million increase, or 6%, in total loans at year-end 2016 compared to 2015.
- Growth in noninterest income of 26% from \$7.8 million in 2015 compared to \$9.8 million in 2016.
- 21 basis points improvement in non-performing assets ratio of .39% at year-end 2016.
- \$37.90 closing market share price on 12/31/2016 compared to \$27.50 in 2015, a 38% increase.
- Solid capital base with total equity at \$122 million and a total risk-based capital ratio of 15.2%.

“We are very pleased with our overall record financial results in 2016 and yet another solid performance during the fourth quarter,” stated Mike Marhenke, President and Chief Executive Officer of IAB. “These results were impacted by balance sheet growth, positive trends in asset quality, and improvements in our fee businesses. Our team is dedicated to the company’s strategic plan, vision and commitment to customer excellence. Our capital position remains very healthy, and we are excited about our opportunities in 2017.”

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 280 people throughout Allen, Huntington, Marshall and Wells counties.

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Consolidated Balance Sheets

At December 31, 2016 and 2015

(unaudited)

	December 31, 2016	December 31, 2015
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 7,681,393	\$ 6,473,858
Interest-bearing	42,256,846	29,114,242
Total cash and cash equivalents	49,938,239	35,588,100
Certificates of deposit	9,298,816	15,449,182
Available-for-sale investment securities	212,504,653	222,929,263
Loans held for sale	2,044,405	1,743,431
Loans	753,438,636	712,240,707
Allowance for loan losses	(10,390,397)	(9,997,402)
Loans, net	743,048,239	702,243,305
Buildings and equipment (net)	11,983,661	12,379,622
Federal Home Loan Bank stock	4,810,000	4,382,800
Insurance contracts	26,574,465	26,321,028
Goodwill and core deposit intangible	15,081,938	15,136,778
Other assets	12,325,272	13,902,329
Total assets	<u>\$ 1,087,609,688</u>	<u>\$ 1,050,075,838</u>
LIABILITIES		
Deposits		
Noninterest bearing	\$ 239,659,817	\$ 204,748,255
Interest bearing	621,336,806	598,831,748
Total deposits	860,996,623	803,580,003
Short-term borrowings	16,882,639	9,559,137
FHLB advances	68,000,000	98,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	9,274,845	10,749,142
Total liabilities	965,464,107	932,198,282
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,889,850	37,563,758
Retained earnings	94,532,607	87,896,536
Treasury stock	(9,744,615)	(9,480,769)
Accumulated other comprehensive income, net of tax	(532,261)	1,898,031
Total stockholders' equity	122,145,581	117,877,556
Total liabilities and stockholders' equity	<u>\$ 1,087,609,688</u>	<u>\$ 1,050,075,838</u>

Consolidated Statements of OperationsFor the three and twelve months ended December 31, 2016 and 2015
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Interest Income:				
Loans	\$ 7,808,105	\$ 7,509,499	\$ 30,791,416	\$ 29,781,514
Investment securities:				
Taxable	428,487	467,984	1,851,657	1,788,013
Tax exempt	702,224	785,674	2,906,392	3,063,156
Dividend income and other	186,777	141,216	618,747	504,647
Total interest income	9,125,593	8,904,373	36,168,212	35,137,330
Interest Expense:				
Deposits	672,496	607,119	2,449,201	2,501,187
Short-term borrowings	8,698	7,782	29,194	18,570
FHLB advances	305,795	369,056	1,300,956	1,507,893
Junior subordinated debt	89,964	76,500	341,418	300,225
Total interest expense	1,076,953	1,060,457	4,120,769	4,327,875
Net interest income	8,048,640	7,843,916	32,047,443	30,809,455
Provision for Loan Losses	133,000	-	799,000	390,000
Net Interest Income after Provision for Loan Losses	7,915,640	7,843,916	31,248,443	30,419,455
Other Income:				
Service charges on deposit accounts	469,577	458,215	1,822,172	1,701,865
Service charges on loans	156,720	93,705	1,197,382	461,263
Income from sale of loans	448,886	313,864	1,604,265	1,140,859
Fiduciary and other nontraditional activities	754,439	549,675	2,438,953	1,922,740
Net realized gains (losses) on sale of assets	88,504	-	206,133	112,030
Income from life insurance contracts	204,000	204,000	816,000	816,000
Other	435,884	409,726	1,682,781	1,619,272
Total other income	2,558,010	2,029,185	9,767,686	7,774,029
Other Expenses:				
Salaries and employee benefits	4,679,079	4,105,528	17,511,650	15,936,095
Net occupancy and equipment	919,604	923,893	3,592,273	3,780,132
Printing and office supplies	153,329	148,612	605,757	648,771
Legal, professional and other fees	755,823	621,929	2,959,305	2,402,331
Marketing	167,933	176,498	626,294	674,157
Business development	181,198	160,221	746,149	685,053
FDIC insurance	86,084	161,320	496,597	626,028
Other	282,348	355,568	1,737,517	1,839,436
Total other expenses	7,225,398	6,653,569	28,275,542	26,592,003
Income Before Income Taxes	3,248,252	3,219,532	12,740,587	11,601,481
Income Taxes	658,274	653,043	2,552,548	2,100,679
Net Income	\$ 2,589,978	\$ 2,566,489	\$ 10,188,039	\$ 9,500,802
Earnings Per Common Share	\$ 0.63	\$ 0.63	\$ 2.50	\$ 2.32
Average common shares outstanding	4,079,030	4,085,175	4,082,313	4,091,337

Consolidated Financial Highlights

Fourth Quarter 2016

(unaudited)

	Quarterly					Year-To-Date	
	4th Qtr 2016	3rd Qtr 2016	2nd Qtr 2016	1st Qtr 2016	4th Qtr 2015	12 mo 2016	12 mo 2015
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 8,048	8,027	8,012	7,959	7,844	32,047	30,809
Provision for loan loss	\$ 133	266	200	200	-	799	390
Other income	\$ 2,558	2,626	2,488	2,096	2,029	9,768	7,774
Other expense	\$ 7,225	7,163	7,105	6,781	6,654	28,276	26,592
Pretax income	\$ 3,248	3,224	3,195	3,074	3,219	12,740	11,601
Taxes	\$ 658	659	629	607	653	2,552	2,100
Net income	\$ 2,590	2,565	2,566	2,467	2,566	10,188	9,501
Earnings per share	\$ 0.63	0.63	0.63	0.60	0.63	2.50	2.32
PERFORMANCE RATIOS							
Return on average assets *	0.92%	0.94%	0.95%	0.94%	0.96%	0.94%	0.91%
Return on average equity *	8.35%	8.26%	8.51%	8.30%	8.67%	8.35%	8.23%
Net interest margin (fully-tax equivalent) *	3.19%	3.31%	3.34%	3.40%	3.29%	3.31%	3.35%
Fee income as % of total revenue	24.1%	24.7%	23.7%	20.8%	20.6%	23.4%	20.1%
Efficiency ratio	68.12%	67.24%	67.67%	67.44%	67.40%	67.62%	68.92%
CAPITAL							
Tier 1 leverage capital ratio	10.68%	10.88%	10.73%	10.84%	10.60%	10.68%	10.60%
Common equity risk-based capital ratio	12.79%	12.65%	12.54%	12.54%	12.31%	12.79%	12.31%
Tier 1 risk-based capital ratio	13.99%	13.86%	13.76%	13.78%	13.54%	13.99%	13.54%
Total risk-based capital ratio	15.22%	15.11%	15.01%	15.02%	14.76%	15.22%	14.76%
Book value per share	\$ 29.94	30.45	30.17	29.56	28.87	29.94	28.87
Tangible book value per share	\$ 26.25	26.75	26.47	25.86	25.16	26.25	25.16
Outstanding shares	4,079,030	4,079,030	4,081,702	4,084,868	4,083,442	4,079,030	4,083,442
Average outstanding shares	4,079,030	4,080,426	4,083,092	4,086,704	4,085,175	4,082,313	4,091,337
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 414	4	3	(15)	264	406	450
Net charge-offs to average loans *	0.22%	0.00%	0.00%	-0.01%	0.15%	0.06%	0.07%
Allowance for loan losses	\$ 10,390	10,671	10,409	10,212	9,997	10,390	9,997
Allowance for loan losses to total loans	1.38%	1.42%	1.40%	1.42%	1.40%	1.38%	1.40%
Nonperforming loans	\$ 4,084	5,157	5,663	5,183	5,107	4,084	5,107
Other real estate owned	\$ 113	1,247	1,125	1,125	1,175	113	1,175
Nonperforming loans to total loans	0.54%	0.69%	0.76%	0.72%	0.72%	0.54%	0.72%
Nonperforming assets to total assets	0.39%	0.59%	0.62%	0.60%	0.60%	0.39%	0.60%
END OF PERIOD BALANCES							
Assets	\$ 1,087,610	1,084,123	1,086,238	1,055,616	1,050,076	1,087,610	1,050,076
Total S/T and L/T Investments	\$ 270,915	269,701	278,203	275,724	273,619	270,915	273,619
Total Loans	\$ 753,439	750,893	743,937	716,876	712,241	753,439	712,241
Deposits	\$ 860,997	850,353	808,664	830,555	803,580	860,997	803,580
Borrowings	\$ 95,193	97,813	143,534	94,650	117,869	95,193	117,869
Shareholders' equity	\$ 122,146	124,207	123,149	120,743	117,878	122,146	117,878
AVERAGE BALANCES							
Assets	\$ 1,118,642	1,081,461	1,081,127	1,056,756	1,064,674	1,084,612	1,039,541
Total S/T and L/T Investments	\$ 310,939	276,001	290,111	278,370	303,317	288,888	287,820
Total Loans	\$ 745,108	741,836	729,412	714,085	696,737	732,678	686,806
Deposits	\$ 889,581	837,501	857,601	822,694	841,276	851,897	810,952
Borrowings	\$ 95,009	108,484	92,564	103,010	94,167	99,807	100,588
Shareholders' equity	\$ 123,398	123,563	121,279	119,537	117,363	121,952	115,398
STOCK VALUATION							
Closing Market Price (OTCQX)	\$ 37.90	36.00	29.95	27.00	27.50	37.90	27.50
Dividend Paid	\$ 0.22	0.22	0.22	0.21	0.21	0.87	0.84
Dividend Yield *	2.32%	2.44%	2.94%	3.11%	3.05%	2.30%	3.05%
LTM P/E Ratio	15.2	14.5	11.9	11.2	11.8	15.2	11.8
% of Tangible Book Value	144.4%	134.6%	113.1%	104.4%	109.3%	144.4%	109.3%

* annualized with quarterly data