



INDEPENDENT ALLIANCE BANKS

118 East Ludwig Road
Fort Wayne, IN 46825

FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES FIRST QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., April 21, 2016 – Independent Alliance Banks, Inc. (IAB) (OTCQX: IALB), the holding company of iAB Financial Bank, announced financial performance as of March 31, 2016.

Net income for the first three months of 2016 was \$2.5 million, an 18 percent increase over first quarter of 2015 earnings of \$2.1 million. Earnings per share were \$.60 for the first quarter of 2016, compared to \$.51 during the same period in 2015. Return on average assets was .94 percent and return on average equity was 8.30 percent for the first quarter of 2016. Financial results outperformed the prior year mainly due to increased income from loan growth, fee income from loan transactions and increased fiduciary activities.

Highlights include:

- Deposits increased 4 percent to \$830 million compared to \$802 million during the same period in 2015.
- Loans were up to \$717 million at the end of first quarter 2016 compared to \$689 at the same time in 2015.
- First quarter 2016 non-performing loans were down 6 percent to \$5.2 million, compared to \$5.5 million during first quarter 2015.
- Since its reformation in 2005, the company has paid dividends to shareholders for 44 consecutive quarters.
- IAB's strong capital structure provides a solid base for future growth.

“We are very pleased with our first quarter financial performance,” stated Michael C. Marhenke, President and Chief Executive Officer of IAB. “We are excited about the business growth potential based on increased activity from our business bankers as well as our expanded Wealth Management team. We now have one of the largest Wealth Management teams in this area and are continuing to see opportunities with our commitment to local management and responsiveness. We remain focused to servicing the needs of our customers as well as contributing talent and resources to the economic well-being of our local community.”

Independent Alliance Banks, Inc., established in 2005, is a financial services holding company for iAB Financial Bank. iAB Financial Bank, one of the largest locally-owned community banks in the area, employs approximately 280 people throughout Allen, Huntington, Marshall and Wells counties.

For more information contact Karen Cameron at 260-469-6284 or karen.cameron@iabfinancial.com

Consolidated Balance Sheets

At March 31, 2016 and December 31, 2015

(unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 7,778,485	\$ 6,473,858
Interest-bearing	27,803,655	29,114,242
Total cash and cash equivalents	35,582,140	35,588,100
Certificates of deposit	15,785,263	15,449,182
Available-for-sale investment securities	226,341,392	222,929,263
Loans held for sale	1,411,204	1,743,431
Loans	716,876,321	712,240,707
Allowance for loan losses	(10,211,906)	(9,997,402)
Loans, net	706,664,415	702,243,305
Buildings and equipment (net)	12,322,383	12,379,622
Federal Home Loan Bank stock	4,382,800	4,382,800
Insurance contracts	26,525,028	26,321,028
Goodwill and core deposit intangible	15,123,068	15,136,778
Other assets	11,478,652	13,902,329
Total assets	<u>\$ 1,055,616,345</u>	<u>\$ 1,050,075,838</u>
LIABILITIES		
Deposits		
Noninterest bearing	\$ 206,616,098	\$ 204,748,255
Interest bearing	623,938,776	598,831,748
Total deposits	830,554,874	803,580,003
Short-term borrowings	11,339,882	9,559,137
FHLB advances	73,000,000	98,000,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	9,668,335	10,749,142
Total liabilities	934,873,091	932,198,282
STOCKHOLDERS' EQUITY		
Common stock and surplus	37,730,250	37,563,758
Retained earnings	89,505,240	87,896,536
Treasury stock	(9,584,383)	(9,480,769)
Accumulated other comprehensive income, net of tax	3,092,147	1,898,031
Total stockholders' equity	120,743,254	117,877,556
Total liabilities and stockholders' equity	<u>\$ 1,055,616,345</u>	<u>\$ 1,050,075,838</u>

Consolidated Statements of Operations

For the three months ended March 31, 2016 and 2015

(unaudited)

	Three Months Ended March 31,	
	2016	2015
Interest Income:		
Loans	\$ 7,629,784	\$ 7,411,840
Investment securities:		
Taxable	494,876	442,350
Tax exempt	759,692	729,175
Dividend income and other	128,540	117,068
Total interest income	9,012,892	8,700,433
Interest Expense:		
Deposits	581,488	615,662
Short-term borrowings	7,681	3,872
FHLB advances	381,265	391,324
Junior subordinated debt	83,151	73,050
Total interest expense	1,053,585	1,083,908
Net interest income	7,959,307	7,616,525
Provision for Loan Losses	200,000	216,000
Net Interest Income after Provision for Loan Losses	7,759,307	7,400,525
Other Income:		
Service charges on deposit accounts	428,009	380,227
Service charges on loans	395,763	56,912
Income from sale of loans	189,437	285,159
Fiduciary and other nontraditional activities	479,690	417,055
Net realized gains (losses) on sale of assets	-	-
Income from life insurance contracts	204,000	204,000
Other	398,946	381,837
Total other income	2,095,845	1,725,190
Other Expenses:		
Salaries and employee benefits	4,030,596	3,988,336
Net occupancy and equipment	894,156	963,508
Printing and office supplies	177,521	170,511
Legal, professional and other fees	728,437	526,349
Marketing	52,314	165,101
Business development	173,950	176,853
FDIC insurance	165,026	146,773
Other	559,226	530,839
Total other expenses	6,781,226	6,668,270
Income Before Income Taxes	3,073,926	2,457,445
Income Taxes	606,611	368,413
Net Income	\$ 2,467,315	\$ 2,089,032
Earnings Per Common Share	\$ 0.60	\$ 0.51
Average common shares outstanding	4,086,704	4,098,086

Consolidated Financial Highlights

First Quarter 2016

(unaudited)

	Quarterly					Year-To-Date	
	1st Qtr 2016	4th Qtr 2015	3rd Qtr 2015	2nd Qtr 2015	1st Qtr 2015	3 mo 2016	3 mo 2015
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 7,959	7,844	7,745	7,604	7,616	7,959	7,616
Provision for loan loss	\$ 200	-	(150)	324	216	200	216
Other income	\$ 2,096	2,029	1,953	2,066	1,725	2,096	1,725
Other expense	\$ 6,781	6,654	6,463	6,806	6,668	6,781	6,668
Pretax income	\$ 3,074	3,219	3,385	2,540	2,457	3,074	2,457
Taxes	\$ 607	653	706	373	368	607	368
Net income	\$ 2,467	2,566	2,679	2,167	2,089	2,467	2,089
Earnings per share	\$ 0.60	0.63	0.66	0.53	0.51	0.60	0.51
PERFORMANCE RATIOS							
Return on average assets *	0.94%	0.96%	1.03%	0.83%	0.84%	0.94%	0.84%
Return on average equity *	8.30%	8.67%	9.24%	7.57%	7.41%	8.30%	7.41%
Net interest margin (fully-tax equivalent) *	3.40%	3.29%	3.34%	3.30%	3.46%	3.40%	3.46%
Fee income as % of total revenue	20.8%	20.6%	20.1%	21.4%	18.5%	20.8%	18.5%
Efficiency ratio	67.44%	67.40%	66.64%	70.38%	71.38%	67.44%	71.38%
CAPITAL							
Tier 1 leverage capital ratio	10.84%	10.60%	10.73%	10.48%	10.67%	10.84%	10.67%
Common equity risk-based capital ratio	12.54%	12.31%	12.98%	12.73%	12.74%	12.54%	12.74%
Tier 1 risk-based capital ratio	13.78%	13.54%	14.30%	14.05%	14.08%	13.78%	14.08%
Total risk-based capital ratio	15.02%	14.76%	15.56%	15.30%	15.33%	15.02%	15.33%
Book value per share	\$ 29.56	28.87	28.59	27.87	27.96	29.56	27.96
Tangible book value per share	\$ 25.86	25.16	24.88	24.17	24.26	25.86	24.26
Outstanding shares	4,084,868	4,083,442	4,086,472	4,090,633	4,097,880	4,084,868	4,097,880
Average outstanding shares	4,086,704	4,085,175	4,087,899	4,094,186	4,098,086	4,086,704	4,098,086
ASSET QUALITY							
Net charge-offs (recoveries)	\$ (15)	264	97	68	21	(15)	21
Net charge-offs to average loans *	-0.01%	0.15%	0.06%	0.04%	0.01%	-0.01%	0.01%
Allowance for loan losses	\$ 10,212	9,997	10,261	10,508	10,252	10,212	10,252
Allowance for loan losses to total loans	1.42%	1.40%	1.48%	1.51%	1.49%	1.42%	1.49%
Nonperforming loans	\$ 5,183	5,107	4,890	6,713	5,529	5,183	5,529
Other real estate owned	\$ 1,125	1,175	1,330	1,125	1,212	1,125	1,212
Nonperforming loans to total loans	0.72%	0.72%	0.70%	0.97%	0.80%	0.72%	0.80%
Nonperforming assets to total assets	0.60%	0.60%	0.60%	0.76%	0.65%	0.60%	0.65%
END OF PERIOD BALANCES							
Assets	\$ 1,055,616	1,050,076	1,038,523	1,026,552	1,029,168	1,055,616	1,029,168
Total S/T and L/T Investments	\$ 275,724	273,619	279,498	269,461	267,280	275,724	267,280
Total Loans	\$ 716,876	712,241	694,747	693,865	688,986	716,876	688,986
Deposits	\$ 830,555	803,580	819,941	784,887	802,162	830,555	802,162
Borrowings	\$ 94,650	117,869	89,281	115,716	100,114	94,650	100,114
Shareholders' equity	\$ 120,743	117,878	116,819	114,022	114,586	120,743	114,586
AVERAGE BALANCES							
Assets	\$ 1,056,756	1,064,674	1,036,315	1,043,757	1,013,153	1,056,756	1,013,153
Total S/T and L/T Investments	\$ 278,370	303,317	285,006	290,769	272,153	278,370	272,153
Total Loans	\$ 714,085	696,737	688,791	688,327	673,054	714,085	673,054
Deposits	\$ 822,694	841,276	816,292	813,910	771,882	822,694	771,882
Borrowings	\$ 103,010	94,167	92,683	102,996	112,685	103,010	112,685
Shareholders' equity	\$ 119,537	117,363	115,014	114,824	114,375	119,537	114,375
STOCK VALUATION							
Closing Market Price (OTCQX)	\$ 27.00	27.50	26.25	26.50	25.95	27.00	25.95
Dividend Paid	\$ 0.21	0.21	0.21	0.21	0.21	0.21	0.21
Dividend Yield *	3.11%	3.05%	3.20%	3.17%	3.24%	3.11%	3.24%
LTM P/E Ratio	11.2	11.8	11.0	11.2	10.9	11.2	10.9
% of Tangible Book Value	104.4%	109.3%	105.5%	109.7%	107.0%	104.4%	107.0%

* annualized with quarterly data