



FOR IMMEDIATE RELEASE

## **INDEPENDENT ALLIANCE BANKS REPORTS 2011 FINANCIAL PERFORMANCE**

FORT WAYNE, IND, January 20, 2012 – Independent Alliance Banks, Inc. (IAB), a two-bank holding company for Grabill Bank and MarkleBank, announced growth in assets from \$932 million at year end 2010 to \$964 million at year end 2011. This growth was fueled by increased deposits as customers continue to build cash reserves and seek the security of FDIC insurance based on market volatility. Total deposits at IAB grew 6 percent to \$733 million as of December 31, 2011 from \$691 million at year end 2010, and total loans were \$636 million at the end of 2011 compared to \$641 million in 2010. During 2011, IAB strengthened its allowance for loan losses in light of the continuing economic environment, and capital ratios remained strong and well above regulatory minimums as total equity grew to \$101 million at year end.

Net income for the year 2011 was \$7.80 million compared to \$9.44 million for 2010. Earnings per share was \$5.64 at year-end 2011 compared to \$6.82 for 2010. Net income for the 2011 fourth quarter was \$1.74 million compared to \$2.40 million for the same quarter in 2010. Earnings per share for the quarter was \$1.26 vs. \$1.74 for the fourth quarter in 2010. Despite the difficult operating environment in 2011, IAB continued to have positive earnings and continued to deliver a consistent return to shareholders. Earnings levels did not meet last year's performance mainly due to lower net interest income as a result of lower average loan outstandings, providing for possible loan losses, and costs associated with carrying and disposing of other real estate owned. In addition, costs to comply with regulatory burdens increased from the previous year.

"In the midst of continued economic and regulatory pressures, our company produced another year of positive financial performance, although not at the standards that we have been accustomed. We are working diligently to focus strategic efforts at managing and growing our business in an ever-changing marketplace," stated Michael C. Marhenke, President and CEO. "We are building momentum, learning from the challenges of 2011, and are committed to the fundamentals of community banking – providing quality products and services that meet the needs of our customers and utilizing local deposits to fund the lending needs of the businesses in our communities."

Independent Alliance Banks, Inc, established in 2005, is a two-bank holding company that owns Grabill Bank and MarkleBank. IAB employs approximately 260 people in our local communities which include Fort Wayne, New Haven, Leo, Grabill, Harlan, Markle, Bluffton, Van Buren, Warren, Huntington, Ossian and soon Roanoke.

**Consolidated Balance Sheets**

At December 30, 2011 and 2010

(unaudited)

	December 31, 2011	December 31, 2010
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$ 9,187,752	\$ 7,481,916
Interest-bearing	75,271,981	56,349,808
Total cash and cash equivalents	84,459,733	63,831,724
Available-for-sale investment securities	183,417,844	164,452,294
Loans held for sale	3,518,888	5,042,422
Loans	636,073,852	640,833,578
Allowance for loan losses	(11,100,495)	(9,646,883)
Loans, net	624,973,357	631,186,695
Buildings and equipment (net)	12,200,311	11,920,622
Federal Home Loan Bank stock	6,809,200	7,283,000
Insurance contracts	21,489,828	19,049,749
Goodwill and core deposit intangible	14,733,553	15,027,757
Other assets	12,794,980	13,969,225
Total assets	<u>\$ 964,397,694</u>	<u>\$ 931,763,488</u>
<b>LIABILITIES</b>		
Noninterest bearing	\$ 126,939,786	\$ 114,422,751
Interest-bearing	605,635,454	576,995,801
Total deposits	732,575,240	691,418,552
Short-term borrowings	21,070,141	26,087,594
FHLB advances	89,500,000	100,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	10,299,352	11,123,032
Total liabilities	863,754,733	839,439,178
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	66,169,097	61,410,702
Treasury stock	(6,517,337)	(6,144,183)
Accumulated other comprehensive income, net of tax	5,371,492	1,438,082
Total stockholders' equity	100,642,961	92,324,310
Total liabilities and stockholders' equity	<u>\$ 964,397,694</u>	<u>\$ 931,763,488</u>

**Consolidated Statements of Operations**For the three and twelve months ended December 31, 2011 and 2010  
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2011	2010	2011	2010
<b>Interest Income:</b>				
Loans	\$ 8,830,822	\$ 9,376,401	\$ 34,978,447	\$ 37,556,053
Investment securities:				
Taxable	588,571	797,526	2,636,966	3,638,014
Tax exempt	739,930	545,237	2,840,509	2,073,369
Dividend income and other	139,482	148,112	507,806	401,885
Total interest income	10,298,805	10,867,276	40,963,728	43,669,321
<b>Interest Expense:</b>				
Deposits	2,162,974	2,489,773	9,130,277	9,970,372
Short-term borrowings	21,510	22,509	77,671	95,387
FHLB advances	657,461	814,456	2,873,843	3,697,685
Junior subordinated debt	77,100	75,600	301,900	304,100
Total interest expense	2,919,045	3,402,338	12,383,691	14,067,544
Net interest income	7,379,760	7,464,938	28,580,037	29,601,777
<b>Provision for Loan Losses</b>	2,000,000	961,660	4,200,000	3,083,280
<b>Net Interest Income after Provision for Loan Losses</b>	5,379,760	6,503,278	24,380,037	26,518,497
<b>Other Income:</b>				
Service charges on deposit accounts	484,739	494,348	1,910,346	2,253,208
Service charges on loans	106,202	101,319	589,242	401,951
Income from sale of loans	851,059	1,065,750	2,122,662	2,615,831
Fiduciary and other nontraditional activities	430,090	369,176	1,276,923	1,065,366
Net realized gains (losses) on sale of assets	7,967	14,403	197,878	115,232
Income from life insurance contracts	209,100	212,488	880,629	855,059
Other	417,238	476,792	1,596,044	1,518,820
Total other income	2,506,395	2,734,276	8,573,724	8,825,467
<b>Other Expenses:</b>				
Salaries and employee benefits	3,115,044	3,436,750	12,547,622	12,305,400
Net occupancy and equipment	733,606	742,873	2,964,544	2,850,359
Printing and office supplies	203,403	185,208	754,275	726,923
Legal, professional and other fees	599,995	414,442	2,053,078	2,226,055
Marketing	181,189	136,266	654,117	589,423
Business development	112,555	109,791	573,887	537,129
FDIC insurance	185,258	245,217	838,542	971,837
Other	684,672	676,133	2,863,847	2,221,949
Total other expenses	5,815,722	5,946,680	23,249,912	22,429,075
<b>Income Before Income Taxes</b>	2,070,433	3,290,874	9,703,849	12,914,889
<b>Income Taxes</b>	328,398	888,390	1,905,536	3,474,633
<b>Net Income</b>	\$ 1,742,035	\$ 2,402,484	\$ 7,798,313	\$ 9,440,256
<b>Earnings Per Common Share</b>	\$ 1.26	\$ 1.74	\$ 5.64	\$ 6.82
Average common shares outstanding	1,378,255	1,384,587	1,381,869	1,384,723

**Independent Alliance Banks, Inc.**
**Consolidated Financial Highlights**

Fourth Quarter 2011

(unaudited)

	Quarterly Trends					Year-To-Date	
	4th Qtr 2011	3rd Qtr 2011	2nd Qtr 2011	1st Qtr 2011	4th Qtr 2010	12 mo 2011	12 mo 2010
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 7,380	7,237	6,943	7,020	7,465	28,580	29,602
Provision for loan loss	\$ 2,000	790	750	660	962	4,200	3,083
Other income	\$ 2,506	2,050	2,086	1,932	2,734	8,574	8,825
Other expense	\$ 5,816	5,884	5,754	5,797	5,947	23,250	22,429
Pretax income	\$ 2,070	2,613	2,525	2,495	3,290	9,704	12,915
Taxes	\$ 328	541	498	538	888	1,906	3,475
Net income	\$ 1,742	2,072	2,027	1,957	2,402	7,798	9,440
Earnings per share	\$ 1.26	1.50	1.47	1.41	1.74	5.64	6.82
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	0.70%	0.86%	0.85%	0.84%	1.01%	0.81%	1.04%
Return on average equity *	6.95%	8.41%	8.50%	8.51%	10.20%	8.08%	10.41%
Net interest margin (fully-tax equivalent) *	3.37%	3.40%	3.28%	3.40%	3.52%	3.37%	3.62%
Fee income as % of total revenue	25.3%	22.1%	23.1%	21.6%	26.8%	23.1%	23.0%
Efficiency ratio	58.83%	63.36%	63.73%	64.76%	58.31%	62.58%	58.37%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	9.38%	9.58%	9.40%	9.42%	9.32%	9.38%	9.32%
Tier 1 risk-based capital ratio	13.11%	12.92%	12.94%	13.06%	12.69%	13.11%	12.69%
Total risk-based capital ratio	14.36%	14.17%	14.19%	14.31%	13.94%	14.36%	13.94%
Book value per share	\$ 73.06	71.95	70.03	68.11	66.71	73.06	66.71
Tangible book value per share	\$ 62.36	61.22	59.27	57.30	55.85	62.36	55.85
Outstanding shares	1,377,607	1,380,407	1,382,912	1,384,055	1,384,055	1,377,607	1,384,055
Average outstanding shares	1,378,255	1,381,379	1,383,788	1,384,055	1,384,587	1,381,869	1,384,723
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 858	1,463	386	40	883	2,747	1,943
Net charge-offs to average loans *	0.54%	0.92%	0.25%	0.03%	0.55%	0.44%	0.30%
Allowance for loan losses	\$ 11,100	9,958	10,631	10,267	9,647	11,100	9,647
Allowance for loan losses to total loans	1.74%	1.56%	1.68%	1.65%	1.51%	1.74%	1.51%
Nonperforming loans	\$ 16,042	14,766	14,923	13,752	7,939	16,042	7,939
Other real estate owned	\$ 1,112	1,912	2,214	2,151	1,506	1,112	1,506
Nonperforming loans to total loans	2.52%	2.31%	2.36%	2.21%	1.24%	2.52%	1.24%
Nonperforming assets to total assets	1.78%	1.73%	1.83%	1.68%	1.01%	1.78%	1.01%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 964,398	962,666	937,266	947,006	931,763	964,398	931,763
Total S/T and L/T Investments	\$ 268,623	260,154	243,263	266,285	233,128	268,623	233,128
Total Loans	\$ 636,469	639,435	632,914	622,620	640,834	636,469	640,834
Deposits	\$ 732,575	733,386	708,943	720,090	691,419	732,575	691,419
Borrowings	\$ 120,880	119,908	122,006	124,753	136,897	120,880	136,897
Shareholders' equity	\$ 100,643	99,317	96,849	94,264	92,324	100,643	92,324
<b>AVERAGE BALANCES</b>							
Assets	\$ 984,519	954,120	958,426	943,034	939,222	960,066	906,416
Total S/T and L/T Investments	\$ 288,685	256,515	271,999	257,887	241,271	268,782	214,401
Total Loans	\$ 633,987	636,666	626,244	626,965	641,150	631,010	637,715
Deposits	\$ 749,765	725,926	727,736	711,620	701,922	728,828	666,651
Borrowings	\$ 124,703	120,123	125,890	129,630	135,425	125,057	140,872
Shareholders' equity	\$ 99,409	97,778	95,635	93,251	93,439	96,536	90,701
<b>STOCK VALUATION</b>							
Closing Market Price (OTCQB)	\$ 49.00	52.77	57.60	56.95	52.60	49.00	52.60
Dividend Paid	\$ 0.55	0.55	0.55	0.55	0.55	2.20	2.20
Dividend Yield *	4.49%	4.17%	3.82%	3.86%	4.18%	4.49%	4.18%
LTM P/E Ratio	8.7	8.6	8.9	8.5	7.7	8.7	7.7
% of Tangible Book Value	78.6%	86.2%	97.2%	99.4%	94.2%	78.6%	94.2%

\* annualized with quarterly data