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FOR IMMEDIATE RELEASE

## **INDEPENDENT ALLIANCE BANKS ANNOUNCES FIRST QUARTER FINANCIAL PERFORMANCE**

FORT WAYNE, IND., April 21, 2009 – Independent Alliance Banks, Inc. (IAB), a multi-bank holding company for Grabill Bank and MarkleBank, announced first quarter financial performance as of March 31, 2009.

The financial performance for the first quarter of 2009 was consistent with the first quarter of 2008. Net income for both first quarters of 2009 and 2008 was approximately \$1.9 million and earnings per share were at \$1.35 for the same time period.

Total assets remained consistent at \$871 million for both the first quarters of 2009 and 2008. During the same time period, deposits increased 1.7 percent to \$615 million in 2009 from \$605 million in 2008, while loans remained constant at \$636 million for both years' first quarters.

"Our performance for the first three months of the year has been favorable since we have not seen fluctuations. It has remained very consistent with continuing weakness in economic conditions both nationally and locally, pressure on asset quality and increased FDIC insurance premium expenses," stated Michael C. Marhenke, President and CEO. "We are working diligently to manage overall expenses in an effort to help alleviate the pressure that government initiatives are placing on our industry in light of many new regulations that came about as a result of the Federal Stimulus Plan. Our capital position and earnings remain strong, and therefore we were able to maintain our shareholder dividend for the first quarter."

Independent Alliance Banks, Inc, established in 2005, is a two-bank holding company that includes Grabill Bank and MarkleBank. IAB employs approximately 265 people in our local communities which include Fort Wayne, New Haven, Leo, Grabill, Harlan, Markle, Bluffton, Van Buren, Warren and Huntington.

**Independent Alliance Banks, Inc.****Consolidated Balance Sheets**

At March 31, 2009 and December 31, 2008

(unaudited)

	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$ 3,873,463	\$ 10,090,247
Interest-bearing	25,874,967	44,459,767
Total cash and cash equivalents	29,748,430	54,550,014
Available-for-sale investment securities	147,668,726	143,011,729
Loans held for sale	2,885,556	2,271,400
Loans	636,083,036	648,933,626
Allowance for loan losses	(7,611,981)	(7,657,875)
Loans, net	628,471,055	641,275,751
Buildings and equipment (net)	11,821,592	11,926,454
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	17,412,938	17,297,086
Goodwill	16,152,208	16,265,152
Other assets	8,881,003	8,747,099
Total assets	\$ 870,781,508	\$ 903,084,685
<b>LIABILITIES</b>		
Noninterest bearing	\$ 87,119,128	\$ 92,744,171
Interest bearing	528,309,628	544,648,887
Total deposits	615,428,756	637,393,058
Short-term borrowings	27,676,979	29,967,698
FHLB advances	126,500,000	136,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	8,189,908	7,836,219
Total liabilities	788,105,643	822,006,975
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	50,763,022	49,644,909
Treasury stock	(5,828,080)	(5,762,880)
Accumulated other comprehensive income, net of tax	2,121,214	1,575,972
Total stockholders' equity	82,675,865	81,077,710
Total liabilities and stockholders' equity	\$ 870,781,508	\$ 903,084,685

**Independent Alliance Banks, Inc.****Consolidated Statements of Operations**For the three months ended March 31, 2009 and 2008  
(unaudited)

	Three Months Ended March 31,	
	2009	2008
<b>Interest Income:</b>		
Loans	\$ 9,512,449	\$ 10,763,689
Investment securities:		
Taxable	1,223,591	1,202,600
Tax exempt	383,310	369,530
Dividend income and other	76,474	227,331
Total interest income	11,195,824	12,563,150
<b>Interest Expense:</b>		
Deposits	3,103,756	4,482,825
Short-term borrowings	50,334	204,791
FHLB advances	1,284,151	1,441,219
Junior subordinated debt	113,500	168,000
Total interest expense	4,551,741	6,296,835
Net interest income	6,644,083	6,266,315
<b>Provision for Loan Losses</b>	565,000	240,000
<b>Net Interest Income after Provision for Loan Losses</b>	6,079,083	6,026,315
<b>Other Income:</b>		
Service charges on deposit accounts	666,427	579,590
Service charges on loans	34,609	23,411
Income from sale of loans	522,426	404,833
Fiduciary and other nontraditional activities	112,860	164,350
Net realized gains (losses) on sale of assets	19,758	23,031
Income from life insurance contracts	190,119	138,645
Other	210,012	195,081
Total other income	1,756,211	1,528,941
<b>Other Expenses:</b>		
Salaries and employee benefits	2,910,117	2,772,101
Net occupancy and equipment	755,343	823,020
Printing and office supplies	197,219	225,203
Legal, professional and other fees	379,185	395,111
Marketing	92,583	119,025
Business development	141,746	153,645
FDIC insurance	296,238	83,257
Other	527,257	446,006
Total other expenses	5,299,688	5,017,368
<b>Income Before Income Taxes</b>	2,535,606	2,537,888
<b>Income Taxes</b>	652,076	644,294
<b>Net Income</b>	\$ 1,883,530	\$ 1,893,594
<b>Basic Earnings Per Common Share</b>	\$ 1.35	\$ 1.35
Average common shares outstanding	1,391,615	1,405,596

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

First Quarter 2009  
(unaudited)

	Quarterly Trends					Year-To-Date	
	1st Qtr 2009	4th Qtr 2008	3rd Qtr 2008	2nd Qtr 2008	1st Qtr 2008	3 mo 2009	3 mo 2008
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 6,644	6,528	6,775	6,366	6,266	6,644	6,266
Provision for loan loss	\$ 565	545	175	430	240	565	240
Other income	\$ 1,756	1,705	1,115	1,595	1,529	1,756	1,529
Other expense	\$ 5,300	5,266	5,047	5,184	5,017	5,300	5,017
Pretax income	\$ 2,535	2,422	2,668	2,347	2,538	2,535	2,538
Taxes	\$ 652	604	735	588	644	652	644
Net income	\$ 1,883	1,818	1,933	1,759	1,894	1,883	1,894
Earnings per share	\$ 1.35	1.30	1.38	1.25	1.35	1.35	1.35
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	0.87%	0.82%	0.89%	0.82%	0.89%	0.87%	0.89%
Return on average equity *	9.28%	9.12%	9.89%	8.96%	9.82%	9.28%	9.82%
Net interest margin ( <i>fully-tax equivalent</i> ) *	3.41%	3.28%	3.47%	3.31%	3.26%	3.41%	3.26%
Fee income as % of total revenue	20.9%	20.7%	14.1%	20.0%	19.6%	20.9%	19.6%
Efficiency ratio	63.10%	63.96%	63.97%	65.12%	64.36%	63.10%	64.36%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	8.8%	8.6%	8.6%	8.5%	8.5%	8.8%	8.5%
Tier 1 risk-based capital ratio	11.3%	10.8%	10.7%	10.6%	10.8%	11.3%	10.8%
Total risk-based capital ratio	12.4%	11.9%	11.8%	11.7%	11.9%	12.4%	11.9%
Book value per share	\$ 59.46	58.23	56.63	55.15	56.23	59.46	56.23
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	0.55	0.55
Outstanding shares	1,390,530	1,392,270	1,397,174	1,403,100	1,404,148	1,390,530	1,404,148
Average outstanding shares	1,391,615	1,394,902	1,398,234	1,403,834	1,405,596	1,391,615	1,405,596
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 611	271	94	396	17	611	17
Net charge-offs to average loans *	0.38%	0.17%	0.06%	0.25%	0.01%	0.38%	0.01%
Allowance for loan losses	\$ 7,612	7,658	7,384	7,303	7,269	7,612	7,269
Allowance for loan losses to total loans	1.20%	1.18%	1.13%	1.14%	1.14%	1.20%	1.14%
Nonperforming loans	\$ 13,355	12,913	11,774	7,532	10,177	13,355	10,177
Other real estate owned	\$ 1,341	555	535	624	626	1,341	626
Nonperforming loans to total loans	2.10%	1.99%	1.80%	1.17%	1.60%	2.10%	1.60%
Nonperforming assets to total assets	1.69%	1.49%	1.40%	0.94%	1.24%	1.69%	1.24%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 870,782	903,085	879,799	863,508	869,848	870,782	869,848
Total S/T and L/T Investments	\$ 184,169	197,483	159,631	163,925	177,318	184,169	177,318
Total Loans	\$ 636,083	648,934	654,405	642,286	635,720	636,083	635,720
Deposits	\$ 615,429	637,393	612,515	579,807	605,004	615,429	605,004
Borrowings	\$ 164,487	176,778	180,784	198,853	178,055	164,487	178,055
Shareholders' equity	\$ 82,676	81,078	79,119	77,378	78,959	82,676	78,959
<b>AVERAGE BALANCES</b>							
Assets	\$ 878,066	881,287	863,569	859,655	857,052	878,066	857,052
Total S/T and L/T Investments	\$ 175,591	169,548	158,181	168,638	160,577	175,591	160,577
Total Loans	\$ 641,337	649,991	646,703	635,074	638,435	641,337	638,435
Deposits	\$ 613,337	618,004	593,211	596,108	595,526	613,337	595,526
Borrowings	\$ 174,333	176,441	184,897	176,815	175,437	174,333	175,437
Shareholders' equity	\$ 82,322	79,298	77,776	78,971	77,574	82,322	77,574

\* annualized with quarterly data