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## INDEPENDENT ALLIANCE BANKS ANNOUNCES FIRST QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IND., April 21, 2010 – Independent Alliance Banks, Inc. (IAB), a multi-bank holding company for Grabill Bank and MarkleBank, announced first quarter financial performance as of March 31, 2010.

Net income for the first quarter of 2010 was \$2.1 million, an increase of 10 percent over first quarter of 2009, which was \$1.9 million. Earnings per share were at \$1.50 for the first quarter of 2010 compared to \$1.35 during the same time in 2009.

First quarter total assets were at \$877 million for 2010 compared to first quarter assets of \$871 and year-end of \$891 million during 2009. First quarter 2010 deposits increased 3.4 percent to \$636 million from first quarter 2009 of \$615 million; deposits at year-end 2009 were \$656 million. Total loans have remained relatively unchanged at \$634 million in first quarter 2010 compared to \$636 million and \$640 million in first quarter and year-end 2009 respectively.

“Our performance for the first three months of the year remains strong. We have seen a positive trend with some growth in deposits, while our total loans have remained consistent with ongoing weakness in economic conditions, asset quality pressure and increased federal regulation of our business,” stated Michael C. Marhenke, President and CEO. “Our capital position is strong and earnings continue to outperform or compare favorably to our peer banks allowing us 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, 2010 and December 31, 2009  
(unaudited)

	March 31, 2010	December 31, 2009
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$20,983,497	\$30,412,474
Interest-bearing	16,320,936	14,813,689
Total cash and cash equivalents	37,304,433	45,226,163
Available-for-sale investment securities	147,127,325	147,136,312
Loans held for sale	1,964,439	2,276,414
Loans	633,596,063	639,517,297
Allowance for loan losses	(8,613,303)	(8,507,170)
Loans, net	624,982,760	631,010,127
Buildings and equipment (net)	11,501,966	11,518,311
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	18,378,240	18,153,240
Goodwill	15,248,410	15,321,961
Other assets	12,573,878	12,879,644
Total assets	<u>\$876,821,451</u>	<u>\$891,262,172</u>
<b>LIABILITIES</b>		
Noninterest bearing	\$95,459,784	\$101,039,617
Interest bearing	540,559,371	554,644,520
Total deposits	636,019,155	655,684,137
Short-term borrowings	16,940,371	20,108,206
FHLB advances	117,500,000	110,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,856,235	7,942,380
Total liabilities	788,625,761	804,544,723
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	56,333,372	55,016,910
Treasury stock	(6,106,482)	(6,106,482)
Accumulated other comprehensive income, net of tax	2,349,091	2,187,312
Total stockholders' equity	88,195,690	86,717,449
Total liabilities and stockholders' equity	<u>\$876,821,451</u>	<u>\$891,262,172</u>

**Independent Alliance Banks, Inc.****Consolidated Statements of Operations**For the three months ended March 31, 2010 and 2009  
(unaudited)

	Three Months Ended March 31,	
	2010	2009
<b>Interest Income:</b>		
Loans	\$ 9,309,771	\$ 9,512,449
Investment securities:		
Taxable	993,984	1,223,591
Tax exempt	602,310	383,310
Dividend income and other	55,015	76,474
Total interest income	10,961,080	11,195,824
<b>Interest Expense:</b>		
Deposits	2,509,929	3,103,756
Short-term borrowings	29,941	50,334
FHLB advances	974,962	1,284,151
Junior subordinated debt	71,900	113,500
Total interest expense	3,586,732	4,551,741
Net interest income	7,374,348	6,644,083
<b>Provision for Loan Losses</b>	713,320	565,000
<b>Net Interest Income after Provision for Loan Losses</b>	6,661,028	6,079,083
<b>Other Income:</b>		
Service charges on deposit accounts	569,350	561,984
Service charges on loans	77,162	63,569
Income from sale of loans	286,491	499,623
Fiduciary and other nontraditional activities	166,351	112,860
Net realized gains (losses) on sale of assets	37,532	19,758
Income from life insurance contracts	225,000	190,119
Other	327,208	308,298
Total other income	1,689,094	1,756,211
<b>Other Expenses:</b>		
Salaries and employee benefits	2,914,942	2,910,117
Net occupancy and equipment	757,614	755,343
Printing and office supplies	157,979	197,219
Legal, professional and other fees	787,816	379,185
Marketing	134,564	92,583
Business development	145,346	141,746
FDIC insurance	248,941	296,238
Other	447,094	527,257
Total other expenses	5,594,296	5,299,688
<b>Income Before Income Taxes</b>	2,755,826	2,535,606
<b>Income Taxes</b>	677,729	652,076
<b>Net Income</b>	\$ 2,078,097	\$ 1,883,530
<b>Basic Earnings Per Common Share</b>	\$ 1.50	\$ 1.35
Average common shares outstanding	1,384,792	1,391,615

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

First Quarter 2010

(unaudited)

	Quarterly Trends					Year-To-Date	
	1st Qtr 2010	4th Qtr 2009	3rd Qtr 2009	2nd Qtr 2009	1st Qtr 2009	3 mo 2010	3 mo 2009
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 7,374	7,684	7,068	6,810	6,644	7,374	6,644
Provision for loan loss	\$ 713	875	435	1,088	565	713	565
Other income	\$ 1,689	1,956	1,897	2,249	1,756	1,689	1,756
Other expense	\$ 5,594	5,259	5,146	5,744	5,300	5,594	5,300
Pretax income	\$ 2,756	3,506	3,384	2,227	2,535	2,756	2,535
Taxes	\$ 678	1,039	972	563	652	678	652
Net income	\$ 2,078	2,467	2,412	1,664	1,883	2,078	1,883
Earnings per share	\$ 1.50	1.78	1.74	1.20	1.35	1.50	1.35
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	0.96%	1.10%	1.09%	0.76%	0.87%	0.96%	0.87%
Return on average equity *	9.61%	11.30%	11.37%	8.00%	9.28%	9.61%	9.28%
Net interest margin (fully-tax equivalent) *	3.89%	3.88%	3.58%	3.45%	3.41%	3.89%	3.41%
Fee income as % of total revenue	18.6%	20.3%	21.2%	24.8%	20.9%	18.6%	20.9%
Efficiency ratio	61.72%	54.55%	57.40%	63.41%	63.10%	61.72%	63.10%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	9.4%	9.1%	9.1%	8.8%	8.8%	9.4%	8.8%
Tier 1 risk-based capital ratio	12.1%	12.0%	11.6%	11.2%	11.3%	12.1%	11.3%
Total risk-based capital ratio	13.4%	13.2%	12.9%	12.4%	12.4%	13.4%	12.4%
Book value per share	\$ 63.69	62.62	62.10	59.56	59.47	63.69	59.47
Tangible book value per share	\$ 52.68	51.56	51.17	48.57	48.41	52.68	48.41
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	0.55	0.55
Outstanding shares	1,384,792	1,384,792	1,385,454	1,388,102	1,390,236	1,384,792	1,390,236
Average outstanding shares	1,384,792	1,385,230	1,386,935	1,389,670	1,391,555	1,384,792	1,391,555
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 607	820	284	399	611	607	611
Net charge-offs to average loans *	0.38%	0.51%	0.18%	0.25%	0.38%	0.38%	0.38%
Allowance for loan losses	\$ 8,613	8,507	8,452	8,301	7,612	8,613	7,612
Allowance for loan losses to total loans	1.36%	1.33%	1.32%	1.30%	1.20%	1.36%	1.20%
Nonperforming loans	\$ 7,747	8,827	11,504	13,026	13,355	7,747	13,355
Other real estate owned	\$ 663	762	585	486	1,341	663	1,341
Nonperforming loans to total loans	1.22%	1.38%	1.80%	2.05%	2.10%	1.22%	2.10%
Nonperforming assets to total assets	0.96%	1.08%	1.38%	1.52%	1.69%	0.96%	1.69%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 876,821	891,262	878,824	887,185	870,782	876,821	870,782
Total S/T and L/T Investments	\$ 173,154	171,966	170,854	186,581	184,169	173,154	184,169
Total Loans	\$ 633,596	639,517	639,004	636,426	636,083	633,596	636,083
Deposits	\$ 636,019	655,684	618,014	627,482	615,429	636,019	615,429
Borrowings	\$ 144,750	140,918	166,927	168,462	164,487	144,750	164,487
Shareholders' equity	\$ 88,196	86,717	86,042	82,682	82,676	88,196	82,676
<b>AVERAGE BALANCES</b>							
Assets	\$ 880,499	890,428	874,385	881,496	878,066	880,499	878,066
Total S/T and L/T Investments	\$ 171,133	172,645	172,304	183,235	175,591	171,133	175,591
Total Loans	\$ 633,553	639,033	637,033	637,659	641,337	633,553	641,337
Deposits	\$ 642,020	639,505	622,529	626,582	613,337	642,020	613,337
Borrowings	\$ 142,801	155,974	159,079	163,067	174,333	142,801	174,333
Shareholders' equity	\$ 87,713	86,582	84,129	83,462	82,322	87,713	82,322

\* annualized with quarterly data