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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES SECOND QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IN, July 24, 2009 – Independent Alliance Banks, Inc. announced its financial performance as of June 30, 2009. Net income for the second quarter of 2009 was \$1.66 million compared to \$1.76 million in 2008. For the first six months of 2009, net income was \$3.55 million compared to \$3.65 million from the same period last year, down 2.8 percent. Earnings per share for the six month period of 2009 was \$2.55 versus \$2.60 last year. Earnings levels were down slightly from last year's performance as margin and fee income improvements were offset by higher provisions for loan losses and expense increases for FDIC insurance.

Total assets as of June 30, 2009 were \$887,185,000 compared to \$903,085,000 at December 31, 2008. Mid-year 2009 deposits were \$627,482,000 compared to \$637,393,000 at year-end 2008. Loan growth was down 1.9 percent with total loans at \$636,426,000 as of June 30, 2009 and \$648,934,000 at year-end 2008.

"We are pleased with our consistent financial results to date in 2009 especially in light of the current adverse trends in our local market and the increased expense burden of FDIC insurance in the form of higher regular premiums and a second quarter special assessment," stated Michael C. Marhenke, President and Chief Executive Officer of IAB. "We remain focused on expense and asset quality management and increased emphasis on fee income opportunities from mortgage lending activities and new product initiatives." For the first six months of 2009, return on average equity was 8.63 percent and return on average assets was .81 percent – healthy based on our current economic environment and better than the national average for peer bank holding companies.

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 June 30, 2009 and December 31, 2008

(unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 18,304,371	\$ 10,090,247
Interest-bearing	30,928,169	44,459,767
Total cash and cash equivalents	49,232,540	54,550,014
Available-for-sale investment securities	145,458,741	143,011,729
Loans held for sale	2,554,226	2,271,400
Loans	636,425,768	648,933,626
Allowance for loan losses	(8,301,322)	(7,657,875)
Loans, net	628,124,446	641,275,751
Buildings and equipment (net)	11,720,546	11,926,454
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	17,593,466	17,297,086
Goodwill	15,264,947	15,490,835
Other assets	9,496,309	9,521,416
Total assets	\$ 887,185,221	\$ 903,084,685
LIABILITIES		
Noninterest bearing	\$ 98,102,232	\$ 92,744,171
Interest bearing	529,379,764	544,648,887
Total deposits	627,481,996	637,393,058
Short-term borrowings	34,652,180	29,967,698
FHLB advances	123,500,000	136,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	8,558,684	7,836,219
Total liabilities	804,502,860	822,006,975
STOCKHOLDERS' EQUITY		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	51,662,741	49,644,909
Treasury stock	(5,966,860)	(5,762,880)
Accumulated other comprehensive income, net of tax	1,366,771	1,575,972
Total stockholders' equity	82,682,361	81,077,710
Total liabilities and stockholders' equity	\$ 887,185,221	\$ 903,084,685

Independent Alliance Banks, Inc.

Consolidated Statements of Operations

For the three months and six months ended June 30, 2009 and 2008
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Interest Income:				
Loans	\$ 9,469,650	\$ 9,960,689	\$ 18,942,940	\$ 20,702,754
Investment securities:				
Taxable	1,147,203	1,257,336	2,370,794	2,459,936
Tax exempt	415,474	371,665	798,784	741,195
Dividend income and other	66,175	253,358	181,808	502,313
Total interest income	11,098,502	11,843,048	22,294,326	24,406,198
Interest Expense:				
Deposits	2,986,207	3,734,951	6,089,963	8,217,776
Short-term borrowings	33,927	156,110	84,261	360,901
FHLB advances	1,171,841	1,446,172	2,455,992	2,887,391
Junior subordinated debt	97,000	139,530	210,500	307,530
Total interest expense	4,288,975	5,476,763	8,840,716	11,773,598
Net interest income	6,809,527	6,366,285	13,453,610	12,632,600
Provision for Loan Losses	1,088,000	430,000	1,653,000	670,000
Net Interest Income after Provision for Loan Losses	5,721,527	5,936,285	11,800,610	11,962,600
Other Income:				
Service charges on deposit accounts	629,586	525,003	1,191,570	1,002,166
Service charges on loans	99,074	118,418	181,783	200,769
Income from sale of loans	676,259	307,975	1,175,882	683,583
Fiduciary and other nontraditional activities	119,906	156,799	232,766	321,149
Net realized gains (losses) on sale of assets	234,661	56,340	254,419	79,371
Income from life insurance contracts	182,487	133,107	372,606	271,752
Other	307,144	297,424	596,302	565,217
Total other income	2,249,117	1,595,066	4,005,328	3,124,007
Other Expenses:				
Salaries and employee benefits	2,938,800	2,868,220	5,848,917	5,640,321
Net occupancy and equipment	689,206	752,382	1,444,549	1,575,402
Printing and office supplies	200,712	232,090	397,931	457,293
Legal, professional and other fees	362,380	394,284	741,565	789,395
Marketing	181,517	179,097	274,100	298,122
Business development	143,449	172,693	285,195	326,338
FDIC insurance	678,614	123,617	974,852	206,874
Other	548,846	461,961	1,076,103	907,967
Total other expenses	5,743,524	5,184,344	11,043,212	10,201,712
Income Before Income Taxes	2,227,120	2,347,007	4,762,726	4,884,895
Income Taxes	562,770	588,164	1,214,846	1,232,458
Net Income	\$ 1,664,350	\$ 1,758,843	\$ 3,547,880	\$ 3,652,437
Basic Earnings Per Common Share	\$ 1.20	\$ 1.25	\$ 2.55	\$ 2.60
Average common shares outstanding	1,389,670	1,403,834	1,390,612	1,404,715

Independent Alliance Banks, Inc.
Consolidated Financial Highlights

Second Quarter 2009

(unaudited)

	Quarterly Trends					Year-To-Date	
	2nd Qtr 2009	1st Qtr 2009	4th Qtr 2008	3rd Qtr 2008	2nd Qtr 2008	6 mo 2009	6 mo 2008
<i>(\$ in thousands except for share data)</i>							
\$ EARNINGS							
Net interest income	\$ 6,810	6,644	6,528	6,775	6,366	13,454	12,632
Provision for loan loss	\$ 1,088	565	545	175	430	1,653	670
Other income	\$ 2,249	1,756	1,705	1,115	1,595	4,006	3,124
Other expense	\$ 5,744	5,300	5,266	5,047	5,184	11,044	10,202
Pretax income	\$ 2,227	2,535	2,422	2,668	2,347	4,763	4,884
Taxes	\$ 563	652	604	735	588	1,215	1,232
Net income	\$ 1,664	1,883	1,818	1,933	1,759	3,548	3,652
Earnings per share	\$ 1.20	1.35	1.30	1.38	1.25	2.55	2.60
PERFORMANCE RATIOS							
Return on average assets *	0.76%	0.87%	0.82%	0.89%	0.82%	0.81%	0.86%
Return on average equity *	8.00%	9.28%	9.12%	9.89%	8.96%	8.63%	9.38%
Net interest margin (fully-tax equivalent) *	3.45%	3.41%	3.28%	3.47%	3.31%	3.43%	3.28%
Fee income as % of total revenue	24.8%	20.9%	20.7%	14.1%	20.0%	22.9%	19.8%
Efficiency ratio	63.41%	63.10%	63.96%	63.97%	65.12%	63.25%	64.75%
CAPITAL							
Tier 1 leverage capital ratio	8.8%	8.8%	8.6%	8.6%	8.5%	8.8%	8.5%
Tier 1 risk-based capital ratio	11.2%	11.3%	10.8%	10.7%	10.6%	11.2%	10.6%
Total risk-based capital ratio	12.4%	12.4%	11.9%	11.8%	11.7%	12.4%	11.7%
Book value per share	\$ 59.56	59.47	58.23	56.63	55.15	59.56	55.15
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	1.10	1.10
Outstanding shares	1,388,102	1,390,236	1,392,270	1,397,174	1,403,100	1,388,102	1,403,100
Average outstanding shares	1,389,670	1,391,555	1,394,902	1,398,234	1,403,834	1,390,612	1,404,715
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 399	611	271	94	396	1,010	413
Net charge-offs to average loans *	0.25%	0.38%	0.17%	0.06%	0.25%	0.32%	0.13%
Allowance for loan losses	\$ 8,301	7,612	7,658	7,384	7,303	8,301	7,303
Allowance for loan losses to total loans	1.30%	1.20%	1.18%	1.13%	1.14%	1.30%	1.14%
Nonperforming loans	\$ 13,026	13,355	12,913	11,774	7,532	13,026	7,532
Other real estate owned	\$ 486	1,341	555	535	624	486	624
Nonperforming loans to total loans	2.05%	2.10%	1.99%	1.80%	1.17%	2.05%	1.17%
Nonperforming assets to total assets	1.52%	1.69%	1.49%	1.40%	0.94%	1.52%	0.94%
END OF PERIOD BALANCES							
Assets	\$ 887,185	870,782	903,085	879,799	863,508	887,185	863,508
Total S/T and L/T Investments	\$ 186,581	184,169	197,483	159,631	163,925	186,581	163,925
Total Loans	\$ 636,426	636,083	648,934	654,405	642,286	636,426	642,286
Deposits	\$ 627,482	615,429	637,393	612,515	579,807	627,482	579,807
Borrowings	\$ 168,462	164,487	176,778	180,784	198,853	168,462	198,853
Shareholders' equity	\$ 82,682	82,676	81,078	79,119	77,378	82,682	77,378
AVERAGE BALANCES							
Assets	\$ 881,496	878,066	881,287	863,569	859,655	879,793	858,354
Total S/T and L/T Investments	\$ 183,235	175,591	169,548	158,181	168,638	179,485	164,753
Total Loans	\$ 637,659	641,337	649,991	646,703	635,074	639,497	636,735
Deposits	\$ 626,582	613,337	618,004	593,211	596,108	620,024	595,817
Borrowings	\$ 163,067	174,333	176,441	184,897	176,815	168,652	176,126
Shareholders' equity	\$ 83,462	82,322	79,298	77,776	78,971	82,887	78,285

* annualized with quarterly data