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FOR IMMEDIATE RELEASE

INDEPENDENT ALLIANCE BANKS ANNOUNCES SECOND QUARTER FINANCIAL PERFORMANCE

FORT WAYNE, IN, July 20, 2010 – Independent Alliance Banks, Inc. announced strong financial performance as of June 30, 2010. Net income for the second quarter of 2010 was up 44 percent at \$2.40 million compared to \$1.66 million in 2009. For the first six months of 2010, net income was \$4.48 million compared to \$3.55 million from the same period last year, a 26 percent increase. Earnings per share for the six month period of 2010 was \$3.23 versus \$2.55 last year. Earnings have improved from last year's performance as margins have improved, the wealth management division has seen growth and expenses have been reduced, particularly FDIC premium expenses that were imposed on all banks as a special assessment in 2009.

Total assets as of June 30, 2010 were \$906,334,000 compared to \$891,262,000 at December 31, 2009. Mid-year 2010 deposits increased to \$659,170,000 from \$655,684,000 at year-end 2009. Loan growth was down slightly with total loans at \$638,629,000 as of June 30, 2010 and \$639,517,000 at year-end 2009.

“Our consistent financial performance is encouraging despite slow growth, economic issues, and the ongoing regulatory burdens imposed on the financial services industry,” stated Michael C. Marhenke, President and Chief Executive Officer of IAB. “We have better managed our loan and investment portfolios and remain focused on providing quality products and services every day to meet our customers saving, borrowing and financing needs.” For the first six months of 2010, return on average equity was 10.19 percent and return on average assets was 1.02 percent. This consistency in performance is the reason why IAB was recently recognized in the top 200 community banks and thrifts in the US Banker's annual ranking.* I am extremely proud of our team who continue to work diligently to manage our business and service our customers every day.”

Independent Alliance Banks, Inc, established in 2005, is a two-bank holding company that includes Grabill Bank and MarkleBank. IAB employs approximately 255 people in our local communities which include Fort Wayne, New Haven, Leo, Grabill, Harlan, Markle, Bluffton, Van Buren, Warren and Huntington.

*based on a 3 year average return on equity as of December 31, 2009.

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

At June 30, 2010 and December 31, 2009

(unaudited)

	June 30, 2010	December 31, 2009
ASSETS		
Cash & due from banks		
Noninterest bearing	\$ 42,778,793	\$ 30,412,474
Interest-bearing	16,592,312	14,813,689
Total cash and cash equivalents	59,371,105	45,226,163
Available-for-sale investment securities	150,022,444	147,136,312
Loans held for sale	2,550,087	2,276,414
Loans	638,628,935	639,517,297
Allowance for loan losses	(8,827,533)	(8,507,170)
Loans, net	629,801,402	631,010,127
Buildings and equipment (net)	11,402,367	11,518,311
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	18,585,240	18,153,240
Goodwill	15,174,859	15,321,961
Other assets	11,686,527	12,879,644
Total assets	\$ 906,334,031	\$ 891,262,172
LIABILITIES		
Noninterest bearing	\$ 101,414,344	\$ 101,039,617
Interest bearing	557,755,176	554,644,520
Total deposits	659,169,520	655,684,137
Short-term borrowings	25,831,346	20,108,206
FHLB advances	112,500,000	110,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,835,581	7,942,380
Total liabilities	815,646,447	804,544,723
STOCKHOLDERS' EQUITY		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	57,972,944	55,016,910
Treasury stock	(6,106,482)	(6,106,482)
Accumulated other comprehensive income, net of tax	3,201,413	2,187,312
Total stockholders' equity	90,687,584	86,717,449
Total liabilities and stockholders' equity	\$ 906,334,031	\$ 891,262,172

Independent Alliance Banks, Inc.

Consolidated Statements of Operations

For the three months and six months ended June 30, 2010 and 2009
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Interest Income:				
Loans	\$ 9,437,061	\$ 9,469,650	\$ 18,746,832	\$ 18,942,940
Investment securities:				
Taxable	964,921	1,147,203	1,958,905	2,370,794
Tax exempt	448,372	415,474	1,050,682	798,784
Dividend income and other	101,443	66,175	156,458	181,808
Total interest income	10,951,797	11,098,502	21,912,877	22,294,326
Interest Expense:				
Deposits	2,461,573	2,986,207	4,971,502	6,089,963
Short-term borrowings	26,232	33,927	56,173	84,261
FHLB advances	959,963	1,171,841	1,934,925	2,455,992
Junior subordinated debt	74,700	97,000	146,600	210,500
Total interest expense	3,522,468	4,288,975	7,109,200	8,840,716
Net interest income	7,429,329	6,809,527	14,803,677	13,453,610
Provision for Loan Losses	609,980	1,088,000	1,323,300	1,653,000
Net Interest Income after Provision for Loan Losses	6,819,349	5,721,527	13,480,377	11,800,610
Other Income:				
Service charges on deposit accounts	604,488	629,586	1,173,838	1,191,570
Service charges on loans	104,084	99,074	181,246	181,783
Income from sale of loans	367,735	676,259	654,226	1,175,882
Fiduciary and other nontraditional activities	202,358	119,906	368,709	232,766
Net realized gains (losses) on sale of assets	76	234,661	37,608	254,419
Income from life insurance contracts	207,000	182,487	432,000	372,606
Other	351,926	307,144	679,134	596,302
Total other income	1,837,667	2,249,117	3,526,761	4,005,328
Other Expenses:				
Salaries and employee benefits	2,842,155	2,938,800	5,757,097	5,848,917
Net occupancy and equipment	657,833	689,206	1,415,447	1,444,549
Printing and office supplies	196,464	200,712	354,443	397,931
Legal, professional and other fees	536,950	362,380	1,324,766	741,565
Marketing	142,365	181,517	276,929	274,100
Business development	136,867	143,449	282,213	285,195
FDIC insurance	241,519	678,614	490,460	974,852
Other	535,094	548,846	982,188	1,076,103
Total other expenses	5,289,247	5,743,524	10,883,543	11,043,212
Income Before Income Taxes	3,367,769	2,227,120	6,123,595	4,762,726
Income Taxes	966,561	562,770	1,644,290	1,214,846
Net Income	\$ 2,401,208	\$ 1,664,350	\$ 4,479,305	\$ 3,547,880
Basic Earnings Per Common Share	\$ 1.73	\$ 1.20	\$ 3.23	\$ 2.55
Average common shares outstanding	1,384,792	1,389,670	1,384,792	1,390,612

Independent Alliance Banks, Inc.
Consolidated Financial Highlights

Second Quarter 2010

(unaudited)

(\$ in thousands except for share data)	Quarterly Trends					Year-To-Date	
	2nd Qtr 2010	1st Qtr 2010	4th Qtr 2009	3rd Qtr 2009	2nd Qtr 2009	6 mo 2010	6 mo 2009
\$ EARNINGS							
Net interest income	\$ 7,429	7,374	7,684	7,068	6,810	14,804	13,454
Provision for loan loss	\$ 610	713	875	435	1,088	1,323	1,653
Other income	\$ 1,838	1,689	1,956	1,897	2,249	3,526	4,006
Other expense	\$ 5,289	5,594	5,259	5,146	5,744	10,884	11,044
Pretax income	\$ 3,368	2,756	3,506	3,384	2,227	6,123	4,763
Taxes	\$ 967	678	1,039	972	563	1,644	1,215
Net income	\$ 2,401	2,078	2,467	2,412	1,664	4,479	3,548
Earnings per share	\$ 1.73	1.50	1.78	1.74	1.20	3.23	2.55
PERFORMANCE RATIOS							
Return on average assets *	1.08%	0.96%	1.10%	1.09%	0.76%	1.02%	0.81%
Return on average equity *	10.76%	9.61%	11.30%	11.37%	8.00%	10.19%	8.63%
Net interest margin (fully-tax equivalent) *	3.79%	3.89%	3.88%	3.58%	3.45%	3.84%	3.43%
Free income as % of total revenue	19.8%	18.6%	20.3%	21.2%	24.8%	19.2%	22.9%
Efficiency ratio	57.07%	61.72%	54.55%	57.40%	63.41%	59.38%	63.25%
CAPITAL							
Tier 1 leverage capital ratio	9.4%	9.4%	9.1%	9.1%	8.8%	9.4%	8.8%
Tier 1 risk-based capital ratio	12.3%	12.1%	12.0%	11.6%	11.2%	12.3%	11.2%
Total risk-based capital ratio	13.7%	13.4%	13.2%	12.9%	12.4%	13.7%	12.4%
Book value per share	\$ 65.49	63.69	62.62	62.10	59.56	65.49	59.56
Tangible book value per share	\$ 54.53	52.68	51.56	51.17	48.57	54.48	59.56
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	1.10	1.10
Outstanding shares	1,384,792	1,384,792	1,384,792	1,385,454	1,388,102	1,384,792	1,388,102
Average outstanding shares	1,384,792	1,384,792	1,385,230	1,386,935	1,389,670	1,384,792	1,390,612
ASSET QUALITY							
Net charge-offs (recoveries)	\$ 395	607	820	284	399	1,002	1,010
Net charge-offs to average loans *	0.25%	0.38%	0.51%	0.18%	0.25%	0.32%	0.32%
Allowance for loan losses	\$ 8,828	8,613	8,507	8,452	8,301	8,828	8,301
Allowance for loan losses to total loans	1.38%	1.36%	1.33%	1.32%	1.30%	1.38%	1.30%
Nonperforming loans	\$ 7,189	7,747	8,827	11,504	13,026	7,189	13,026
Other real estate owned	\$ 648	663	762	585	486	648	486
Nonperforming loans to total loans	1.13%	1.22%	1.38%	1.80%	2.05%	1.13%	2.05%
Nonperforming assets to total assets	0.86%	0.96%	1.08%	1.38%	1.52%	0.86%	1.52%
END OF PERIOD BALANCES							
Assets	\$ 906,334	876,821	891,262	878,824	887,185	906,334	887,185
Total S/T and L/T Investments	\$ 176,905	173,154	171,966	170,854	186,581	176,905	186,581
Total Loans	\$ 638,629	633,596	639,517	639,004	636,426	638,629	636,426
Deposits	\$ 659,170	636,019	655,684	618,014	627,482	659,170	627,482
Borrowings	\$ 148,641	144,750	140,918	166,927	168,462	148,641	168,462
Shareholders' equity	\$ 90,688	88,196	86,717	86,042	82,682	90,688	82,682
AVERAGE BALANCES							
Assets	\$ 891,791	880,499	890,428	874,385	881,496	886,186	879,793
Total S/T and L/T Investments	\$ 174,792	171,133	172,645	172,304	183,235	172,972	179,485
Total Loans	\$ 638,412	633,553	639,033	637,033	637,659	636,004	639,497
Deposits	\$ 647,889	642,020	639,505	622,529	626,582	644,982	620,024
Borrowings	\$ 146,515	142,801	155,974	159,079	163,067	144,667	168,652
Shareholders' equity	\$ 89,537	87,713	86,582	84,129	83,462	88,630	82,887

* annualized with quarterly data