



FOR IMMEDIATE RELEASE

## INDEPENDENT ALLIANCE BANKS REPORTS THIRD QUARTER FINANCIAL PERFORMANCE

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FORT WAYNE, IN, October 15, 2008 – Independent Alliance Banks, Inc. announced its financial performance as of September 30, 2008. Despite economic weakness, net income increased 10 percent for the third quarter of 2008 and was \$1.93 million compared to \$1.76 in the second quarter of 2008. Third quarter 2008 income of \$1.93 million compared to \$2.0 million during the same period in 2007. For the first nine months of 2008, net income was \$5.59 million compared to \$5.70 million from the same period last year. Earnings per share for the nine month period of 2008 was \$3.98 versus \$4.00 last year. Earnings levels were relatively unchanged from last year's performance mainly due to improved margins offset by increased provisions for non performing loans due to the depressed local market as well as a \$310,000 after-tax write-off related to the bank's ownership in Freddie Mac preferred stock. Exclusive of this write-off, quarter and year to date performance would have reflected increases.

Total assets as of September 30, 2008 were \$880 million compared to \$847 million at December 31, 2007, an increase of \$33 million, or nearly 4 percent. Deposits of \$613 million on September 30, 2008 grew from \$593 million at year-end 2007, a 3.4 percent increase. Total loans increased to \$654 million as of September 30, 2008 from \$637 million at year-end 2007, an increase of \$17 million.

"We have witnessed unconventional issues and change in the financial industry over the last several weeks, and we have all felt concerns about these difficult economic times. The community banks owned by Independent Alliance Banks continue to fulfill the long standing tradition of primarily using local deposits to fund loans directly to consumers and businesses in their local communities," stated Michael C. Marhenke, President and Chief Executive Officer of IAB. "In light of these current adverse trends in the financial industry, our banks have performed well because we have been consistent with our lending practices, credit risk management and remain focused on serving the individual needs of our customers. We will continue to maintain adequate capital reserves to keep our company resilient. For the first nine months of 2008, return on average equity was 9.55 percent and return on average assets was .87 percent – competitive amongst our peers and strong in light of recent dynamics within our industry.

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 September 30, 2008 and December 31, 2007

(unaudited)

	September 30, 2008	December 31, 2007
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$ 17,479,845	\$ 11,978,871
Interest-bearing	13,382,879	10,141,267
Total cash and cash equivalents	30,862,724	22,120,138
Available-for-sale investment securities	136,784,711	132,955,615
Loans held for sale	1,723,365	1,524,995
Loans	654,404,933	637,444,139
Allowance for loan losses	(7,383,807)	(7,045,997)
Loans, net	647,021,126	630,398,142
Buildings and equipment (net)	12,218,576	11,223,835
Federal Home Loan Bank stock	7,740,000	6,840,000
Freddie Mac preferred stock	-	518,000
Insurance contracts	16,968,249	12,999,579
Goodwill	16,378,096	16,716,928
Other assets	10,102,530	11,385,174
Total assets	\$ 879,799,377	\$ 846,682,406
<b>LIABILITIES</b>		
Noninterest bearing	\$ 100,481,942	\$ 95,145,729
Interest bearing	512,033,503	497,285,813
Total deposits	612,515,445	592,431,542
Short-term borrowings	25,973,975	38,155,062
FHLB advances	144,500,000	120,624,491
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,381,001	8,467,738
Total liabilities	800,680,421	769,988,833
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	35,619,709	35,613,539
Retained earnings	48,645,469	45,373,554
Treasury stock	(5,462,653)	(4,700,980)
Accumulated other comprehensive income, net of tax	316,431	407,460
Total stockholders' equity	79,118,956	76,693,573
Total liabilities and stockholders' equity	\$ 879,799,377	\$ 846,682,406

**Independent Alliance Banks, Inc.**

**Consolidated Statements of Operations**

For the three and nine months ended September 30, 2008 and 2007

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
<b>Interest Income:</b>				
Loans	\$ 10,153,700	\$ 11,381,901	\$ 30,856,455	\$ 34,667,612
Investment securities:				
Taxable	1,296,012	1,161,946	3,755,948	3,325,701
Tax exempt	373,612	347,306	1,114,807	1,045,980
Dividend income and other	208,125	283,965	710,437	887,286
Total interest income	12,031,449	13,175,118	36,437,647	39,926,579
<b>Interest Expense:</b>				
Deposits	3,484,663	5,464,109	11,702,439	16,354,253
Short-term borrowings	176,107	272,955	537,008	765,612
FHLB advances	1,424,359	1,175,098	4,311,750	3,613,111
Junior subordinated debt	171,500	222,403	479,030	612,403
Total interest expense	5,256,629	7,134,565	17,030,227	21,345,379
Net interest income	6,774,820	6,040,553	19,407,420	18,581,200
<b>Provision for Loan Losses</b>	175,000	140,000	845,000	500,000
<b>Net Interest Income after Provision for Loan Losses</b>	6,599,820	5,900,553	18,562,420	18,081,200
<b>Other Income:</b>				
Service charges on deposit accounts	683,242	600,608	1,901,113	1,741,425
Service charges on loans	37,331	32,573	108,917	89,910
Income from sale of loans	338,447	375,550	1,089,018	1,149,350
Fiduciary and other nontraditional activities	200,992	163,587	522,142	481,452
Net realized gains (losses) on sale of assets	10,059	105,939	89,430	123,926
Net writedown for other than temporary impairment	(518,000)	-	(518,000)	-
Income from insurance contracts	136,868	120,015	408,620	357,685
Other	226,431	192,409	638,137	526,793
Total other income	1,115,370	1,590,681	4,239,377	4,470,541
<b>Other Expenses:</b>				
Salaries and employee benefits	2,839,353	2,696,792	8,479,674	8,352,520
Net occupancy and equipment	730,043	837,582	2,305,445	2,332,034
Printing and office supplies	186,378	208,784	643,671	634,095
Legal, professional and other fees	374,974	367,560	1,164,369	1,244,277
Marketing	103,725	120,533	401,847	503,852
Business development	153,226	137,957	479,564	460,298
Other	659,257	400,675	1,774,098	1,535,770
Total other expenses	5,046,956	4,769,883	15,248,668	15,062,846
<b>Income Before Income Taxes</b>	2,668,234	2,721,351	7,553,129	7,488,895
<b>Income Taxes</b>	735,479	679,676	1,967,937	1,792,173
<b>Net Income</b>	\$ 1,932,755	\$ 2,041,675	\$ 5,585,192	\$ 5,696,722
<b>Basic Earnings Per Common Share</b>	\$ 1.38	\$ 1.45	\$ 3.98	\$ 4.00
Average common shares outstanding	1,398,234	1,412,451	1,402,555	1,424,383

## Consolidated Financial Highlights

Third Quarter 2008

(unaudited)

	Quarterly Trends					Year-To-Date	
	3rd Qtr 2008	2nd Qtr 2008	1st Qtr 2008	4th Qtr 2007	3rd Qtr 2007	9 mo 2008	9 mo 2007
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 6,775	6,366	6,266	6,217	6,041	19,407	18,581
Provision for loan loss	\$ 175	430	240	145	140	845	500
Other income	\$ 1,115	1,595	1,529	1,441	1,591	4,239	4,471
Other expense	\$ 5,047	5,184	5,017	5,029	4,770	15,248	15,063
Pretax income	\$ 2,668	2,347	2,538	2,484	2,722	7,553	7,489
Taxes	\$ 735	588	644	528	680	1,968	1,792
Net income	\$ 1,933	1,759	1,894	1,956	2,042	5,585	5,697
Earnings per share	\$ 1.38	1.25	1.35	1.39	1.45	3.98	4.00
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	0.89%	0.82%	0.89%	0.91%	0.96%	0.87%	0.89%
Return on average equity *	9.89%	8.96%	9.82%	10.22%	10.98%	9.55%	10.29%
Net interest margin ( <i>fully-tax equivalent</i> ) *	3.47%	3.31%	3.28%	3.19%	3.14%	3.35%	3.21%
Fee income as % of total revenue	14.1%	20.0%	19.6%	18.8%	20.8%	17.9%	19.4%
Efficiency ratio	63.97%	65.12%	64.36%	65.67%	62.50%	64.48%	65.34%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	8.6%	8.5%	8.5%	8.4%	8.4%	8.6%	8.4%
Tier 1 risk-based capital ratio	10.7%	10.6%	10.8%	10.7%	10.5%	10.7%	10.5%
Total risk-based capital ratio	11.8%	11.7%	11.9%	11.7%	11.6%	11.8%	11.6%
Book value per share	\$ 56.63	55.15	56.23	54.49	53.20	55.15	53.20
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.50	1.65	1.50
Outstanding shares	1,397,174	1,403,100	1,404,148	1,407,482	1,410,207	1,397,174	1,410,207
Average outstanding shares	1,398,234	1,403,834	1,405,596	1,408,071	1,412,451	1,402,555	1,424,383
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 94	396	17	488	666	507	1,355
Net charge-offs to average loans *	0.06%	0.25%	0.01%	0.31%	0.42%	0.11%	0.28%
Allowance for loan losses	\$ 7,384	7,303	7,269	7,046	7,389	7,384	7,389
Allowance for loan losses to total loans	1.13%	1.14%	1.14%	1.11%	1.16%	1.13%	1.16%
Nonperforming loans	\$ 11,774	7,532	10,177	6,455	7,030	11,774	7,030
Other real estate owned	\$ 535	624	626	1,950	466	535	466
Nonperforming loans to total loans	1.80%	1.17%	1.60%	1.01%	1.10%	1.80%	1.10%
Nonperforming assets to total assets	1.40%	0.94%	1.24%	0.99%	0.88%	1.40%	0.88%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 879,799	863,508	869,848	846,682	849,541	879,799	849,541
Total S/T and L/T Investments	\$ 159,631	163,925	177,318	151,980	143,006	159,631	143,006
Total Loans	\$ 654,405	642,286	635,720	637,444	637,253	654,405	637,253
Deposits	\$ 612,515	579,807	605,004	592,432	617,461	612,515	617,461
Borrowings	\$ 180,784	198,853	178,055	169,090	149,421	180,784	149,421
Shareholders' equity	\$ 79,119	77,378	78,959	76,694	75,024	79,119	75,024
<b>AVERAGE BALANCES</b>							
Assets	\$ 863,569	859,655	857,052	855,375	844,281	860,092	854,119
Total S/T and L/T Investments	\$ 158,181	168,638	160,577	159,171	150,179	162,896	149,573
Total Loans	\$ 646,703	635,074	638,435	635,519	635,186	640,071	646,535
Deposits	\$ 593,211	596,108	595,526	616,925	628,136	594,952	636,311
Borrowings	\$ 184,897	176,815	175,437	154,253	134,744	179,050	136,036
Shareholders' equity	\$ 77,776	78,971	77,574	75,902	73,775	78,115	74,057

\* annualized with quarterly data