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FOR IMMEDIATE RELEASE

## **INDEPENDENT ALLIANCE BANKS REPORTS THIRD QUARTER FINANCIAL PERFORMANCE**

FORT WAYNE, IN, October 14, 2009 – Independent Alliance Banks, Inc., the holding company of Grabill Bank and MarkleBank, announced record third quarter financial performance as of September 30, 2009. Despite economic weakness, net income increased 45 percent for the third quarter of 2009 at \$2.4 million compared to \$1.7 million in the second quarter of 2009. Third quarter 2009 income of \$2.4 million rose 26 percent compared to \$1.9 million during the same period in 2008. For the first nine months of 2009, net income was \$5.96 million compared to \$5.59 million from the same period last year for an increase of approximately 7 percent. Earnings per share for the nine month period of 2009 was \$4.29 versus \$3.98 last year. Earnings levels exceeded last year's performance mainly due to improved margins, improvements in fee income and expense management.

The balance sheet was slightly smaller compared to year-end 2008. Total assets as of September 30, 2009 were \$879 million compared to \$903 million at December 31, 2008, a 2.7 percent decline. Total loans were down 1.5 percent to \$639 million as of September 30, 2009 from \$649 million at year-end 2008. Deposits were at \$618 million at September 30, 2009 compared to \$637 million at year-end 2008.

"Given that we are operating in the worst economic environment in nearly 60 years, we are pleased that our company has been able to remain profitable while continuing to serve and meet the ever-changing needs of our clients and communities," stated Michael C. Marhenke, President and Chief Executive Officer of IAB. "While the future direction of the economy is unclear, we believe that the combination of our continued profitability, consistent and diligent lending practices, credit risk management and a strong capital position will allow us to remain strong working through the many issues presented by this struggling economy. For the first nine months of 2009, return on average equity was 9.57 percent and return on average assets was .91 percent, very competitive compared to our peer banks and rewarding for our investors.

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, 2009 and December 31, 2008

(unaudited)

	September 30, 2009	December 31, 2008
<b>ASSETS</b>		
Cash & due from banks		
Noninterest bearing	\$ 26,132,043	\$ 10,090,247
Interest-bearing	11,754,661	44,459,767
Total cash and cash equivalents	37,886,704	54,550,014
Available-for-sale investment securities	146,367,943	143,011,729
Loans held for sale	2,242,076	2,271,400
Loans	639,004,299	648,933,626
Allowance for loan losses	(8,452,366)	(7,657,875)
Loans, net	630,551,933	641,275,751
Buildings and equipment (net)	11,560,822	11,926,454
Federal Home Loan Bank stock	7,740,000	7,740,000
Insurance contracts	17,818,082	17,297,086
Goodwill	15,152,003	15,490,835
Other assets	9,504,849	9,521,416
Total assets	\$ 878,824,412	\$ 903,084,685
<b>LIABILITIES</b>		
Noninterest bearing	\$ 88,783,550	\$ 92,744,171
Interest bearing	529,230,329	544,648,887
Total deposits	618,013,879	637,393,058
Short-term borrowings	26,117,122	29,967,698
FHLB advances	130,500,000	136,500,000
Junior subordinated debt	10,310,000	10,310,000
Other liabilities	7,841,848	7,836,219
Total liabilities	792,782,849	822,006,975
<b>STOCKHOLDERS' EQUITY</b>		
Common stock and surplus	35,619,709	35,619,709
Retained earnings	53,312,316	49,644,909
Treasury stock	(6,077,652)	(5,762,880)
Accumulated other comprehensive income, net of tax	3,187,190	1,575,972
Total stockholders' equity	86,041,563	81,077,710
Total liabilities and stockholders' equity	\$ 878,824,412	\$ 903,084,685

**Independent Alliance Banks, Inc.****Consolidated Statements of Operations**For the three and nine months ended September 30, 2009 and 2008  
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Interest Income:</b>				
Loans	\$ 9,524,800	\$ 10,153,701	\$ 28,467,740	\$ 30,856,455
Investment securities:				
Taxable	1,066,707	1,296,012	3,437,501	3,755,948
Tax exempt	424,160	373,612	1,222,944	1,114,807
Dividend income and other	118,473	208,124	300,281	710,437
Total interest income	11,134,140	12,031,449	33,428,466	36,437,647
<b>Interest Expense:</b>				
Deposits	2,802,846	3,484,663	8,892,809	11,702,439
Short-term borrowings	31,445	176,107	115,706	537,008
FHLB advances	1,146,077	1,424,359	3,602,069	4,311,750
Junior subordinated debt	85,800	171,500	296,300	479,030
Total interest expense	4,066,168	5,256,629	12,906,884	17,030,227
Net interest income	7,067,972	6,774,820	20,521,582	19,407,420
<b>Provision for Loan Losses</b>	435,000	175,000	2,088,000	845,000
<b>Net Interest Income after Provision for Loan Losses</b>	6,632,972	6,599,820	18,433,582	18,562,420
<b>Other Income:</b>				
Service charges on deposit accounts	689,343	566,808	1,880,913	1,568,974
Service charges on loans	116,097	101,268	297,880	302,037
Income from sale of loans	351,665	307,916	1,527,547	991,499
Fiduciary and other nontraditional activities	147,721	200,993	380,487	522,142
Net realized gains (losses) on sale of assets	52,423	10,059	306,842	89,430
Net writedown for other than temporary impairment	-	(518,000)	-	(518,000)
Income from life insurance contracts	224,616	136,868	597,222	408,620
Other	315,388	309,458	911,690	874,675
Total other income	1,897,253	1,115,370	5,902,581	4,239,377
<b>Other Expenses:</b>				
Salaries and employee benefits	2,829,204	2,839,353	8,678,121	8,479,674
Net occupancy and equipment	707,696	730,043	2,152,245	2,305,445
Printing and office supplies	148,643	186,378	546,574	643,671
Legal, professional and other fees	546,766	374,974	1,288,331	1,164,369
Marketing	136,816	103,725	410,916	401,847
Business development	114,550	153,226	399,745	479,564
FDIC insurance	266,208	144,953	1,241,060	351,827
Other	396,304	514,304	1,472,407	1,422,271
Total other expenses	5,146,187	5,046,956	16,189,399	15,248,668
<b>Income Before Income Taxes</b>	3,384,038	2,668,234	8,146,764	7,553,129
<b>Income Taxes</b>	971,842	735,479	2,186,688	1,967,937
<b>Net Income</b>	\$ 2,412,196	\$ 1,932,755	\$ 5,960,076	\$ 5,585,192
<b>Basic Earnings Per Common Share</b>	\$ 1.74	\$ 1.38	\$ 4.29	\$ 3.98
Average common shares outstanding	1,386,935	1,398,234	1,389,387	1,402,555

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

Third Quarter 2009  
(unaudited)

	Quarterly Trends					Year-To-Date	
	3rd Qtr 2009	2nd Qtr 2009	1st Qtr 2009	4th Qtr 2008	3rd Qtr 2008	9 mo 2009	9 mo 2008
<i>(\$ in thousands except for share data)</i>							
<b>\$ EARNINGS</b>							
Net interest income	\$ 7,068	6,810	6,644	6,528	6,775	20,522	19,407
Provision for loan loss	\$ 435	1,088	565	545	175	2,088	845
Other income	\$ 1,897	2,249	1,756	1,705	1,115	5,902	4,239
Other expense	\$ 5,146	5,744	5,300	5,266	5,047	16,189	15,248
Pretax income	\$ 3,384	2,227	2,535	2,422	2,668	8,147	7,553
Taxes	\$ 972	563	652	604	735	2,187	1,968
Net income	\$ 2,412	1,664	1,883	1,818	1,933	5,960	5,585
Earnings per share	\$ 1.74	1.20	1.35	1.30	1.38	4.29	3.98
<b>PERFORMANCE RATIOS</b>							
Return on average assets *	1.09%	0.76%	0.87%	0.82%	0.89%	0.91%	0.87%
Return on average equity *	11.37%	8.00%	9.28%	9.12%	9.89%	9.57%	9.55%
Net interest margin (fully-tax equivalent) *	3.58%	3.45%	3.41%	3.28%	3.47%	3.48%	3.34%
Fee income as % of total revenue	21.2%	24.8%	20.9%	20.7%	14.1%	22.3%	17.9%
Efficiency ratio	57.40%	63.41%	63.10%	63.96%	63.97%	61.27%	64.48%
<b>CAPITAL</b>							
Tier 1 leverage capital ratio	9.1%	8.8%	8.8%	8.6%	8.6%	9.1%	8.6%
Tier 1 risk-based capital ratio	11.6%	11.2%	11.3%	10.8%	10.7%	11.6%	10.7%
Total risk-based capital ratio	12.9%	12.4%	12.4%	11.9%	11.8%	12.9%	11.8%
Book value per share	\$ 62.10	59.56	59.47	58.23	56.63	62.10	56.63
Tangible book value per share	\$ 51.17	48.57	48.41	47.11	45.46	51.17	45.46
Dividends paid per share	\$ 0.55	0.55	0.55	0.55	0.55	1.65	1.65
Outstanding shares	1,385,454	1,388,102	1,390,236	1,392,270	1,397,174	1,385,454	1,397,174
Average outstanding shares	1,386,935	1,389,670	1,391,555	1,394,902	1,398,234	1,389,387	1,402,555
<b>ASSET QUALITY</b>							
Net charge-offs (recoveries)	\$ 284	399	611	271	94	1,294	507
Net charge-offs to average loans *	0.18%	0.25%	0.38%	0.17%	0.06%	0.27%	0.11%
Allowance for loan losses	\$ 8,452	8,301	7,612	7,658	7,384	8,452	7,384
Allowance for loan losses to total loans	1.32%	1.30%	1.20%	1.18%	1.13%	1.32%	1.13%
Nonperforming loans	\$ 11,504	13,026	13,355	12,913	11,774	11,504	11,774
Other real estate owned	\$ 585	486	1,341	555	535	585	535
Nonperforming loans to total loans	1.80%	2.05%	2.10%	1.99%	1.80%	1.80%	1.80%
Nonperforming assets to total assets	1.38%	1.52%	1.69%	1.49%	1.40%	1.38%	1.40%
<b>END OF PERIOD BALANCES</b>							
Assets	\$ 878,824	887,185	870,782	903,085	879,799	878,824	879,799
Total S/T and L/T Investments	\$ 170,854	186,581	184,169	197,483	159,631	170,854	159,631
Total Loans	\$ 639,004	636,426	636,083	648,934	654,405	639,004	654,405
Deposits	\$ 618,014	627,482	615,429	637,393	612,515	618,014	612,515
Borrowings	\$ 166,927	168,462	164,487	176,778	180,784	166,927	180,784
Shareholders' equity	\$ 86,042	82,682	82,676	81,078	79,119	86,042	79,119
<b>AVERAGE BALANCES</b>							
Assets	\$ 874,385	881,496	878,066	881,287	863,569	877,953	860,092
Total S/T and L/T Investments	\$ 172,304	183,235	175,591	169,548	158,181	177,065	162,896
Total Loans	\$ 637,033	637,659	641,337	649,991	646,703	638,661	640,071
Deposits	\$ 622,529	626,582	613,337	618,004	593,211	620,854	594,952
Borrowings	\$ 159,079	163,067	174,333	176,441	184,897	165,424	179,050
Shareholders' equity	\$ 84,129	83,462	82,322	79,298	77,776	83,301	78,115

\* annualized with quarterly data